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AUTHOR Thomas, Steven D.
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ABSTRACT

This instructional unit on farm recordkeeping is intended as a guide for use by teachers in planning and conducting young farmer and/or adult education classes. The unit consists of thirteen problems on the following topics: planning for farm recordkeeping, recording inventories, recording depreciable items, recording farm expenses, recording cash sales, recording resale items bought, recording capital items sold, recording capital items bought, recording resale items sold, recording social security data, recording income and non-farm expenses, recording a farm business summary, and managing taxes. Each problem contains an objective, a statement and an analysis of the problem, suggestions for teaching the lesson, and suggested teaching materials. Individual lessons include a variety of forms, charts, illustrations, and examples of selected tax- and bookkeeping-related computations. Appendixes (one-third of the unit) contain a bibliography of supplementary resources, a sample recordkeeping problem involving one year in the operation of an owner-operated farm, a glossary, and an instructional unit evaluation questionnaire for teachers of vocational agriculture. (HH)

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FARM RECORD KEEPING

An Instructional Unit for Teachers of Adult Education in Agriculture

Developed by:

Steven D. Thomas
Graduate Research Assistant
University of Kentucky

Supervised by:

John W. Dickens
Assistant Professor and Project Director
University of Kentucky

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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INTRODUCTION

Farming today is a larger and more highly specialized business than yesterday's operations. In its growth it has taken on more of the characteristics of a commercial business. Records are now as important to a farmer as they are to any businessman. Analyzing the farm business, securing operating capital, filing tax returns, and dealing with social security are more vital than ever before. The farmer who underestimates the value of records is probably overestimating his business and his abilities. Osburn and Schneeberger (1978) state that . . . "farmers with incomplete record systems tend to underestimate costs."

Without actual records a farmer finds himself making important management decisions by guessing or estimating. He has no means of accurately comparing himself to other farmers or similar farm standards. It is estimated that time spent keeping records can be worth from $5-$20 per hour. No money making business should expect to achieve optimum efficiency without a good set of records.

Large amounts of capital requirements, technical understanding, and skilled laboring means today's records can serve as a key to good management tomorrow. The decision a farmer has made in the past should be a sound basis for decisions of the future. Without a written record of that decision and its results, the farmer is at a loss to explain his success or failure. Records can become a valuable tool in a successful farming operation.

This instructional unit is divided into 13 problems. Each problem deals with a different record that is needed for decision-making by the farmer. All problems are composed for use with the Kentucky Farm Record

Book and Five Year Inventory and Depreciation Schedules. However, other record books could be utilized as the basic principles apply to all record books. The Kentucky Farm Record Book was chosen because of its statewide availability and its simplicity. It should meet the needs of most farmers and not become a burdensome task to maintain. A new account book will be needed each year while the inventory and depreciation schedule will last five years.

SUGGESTIONS FOR USING THE UNIT

This unit was developed as a guide for use by teachers in planning and conducting young farmer and/or adult farmer classes. Because of the diversity in age, expertise, and experience levels of class members and instructors, the unit was designed to cover the basic areas of farm recordkeeping. It is recommended that farm couples be enrolled for this series of approximately eight sessions. Recordkeeping is quite often a joint undertaking of farm couples, thus both persons can benefit from the instruction. Thirteen problems have been included, but the unit may be expanded to more topics. However, thorough coverage of these thirteen problems would permit a farmer to complete nearly all the records necessary for a business summary and analysis. It may be helpful to provide class members with an overview of lessons and activities at the first meeting. Transparencies have been included in Problem 1 for this purpose. We highly recommend that the major teacher reference, Farmer's Tax Guide (for use in preparing 1980 returns), Publication 225 of the Internal Revenue Service, be secured by anyone planning to utilize this unit. Copies can be secured by calling the IRS Toll Free Number and asking for Publication 225. The publication is available by November of each year.

The format used was designed to allow teachers to utilize a sample problem approach to farm recordkeeping. A sample problem with illustrative entries and a completed record book of these entries is found in Appendix B. As each recordkeeping form is introduced, the enrollee will make the accompanying sample entry. If sufficient time is available, the enrollee will want to begin filling out his/her own records in the record book. This procedure of a practice run should provide fewer false entries than if the enrollees begin with their own records. A teaching procedure that might be used

successfully is as follows:

Step 1: The teacher lists the topic (problem and analysis) on the chalkboard.

Step 2: He or she then sets the stage by introducing the recordkeeping form(s) to be completed that evening.

Step 3: The teacher and the class utilize the sample problem to complete the recordkeeping entries. During this step the teacher calls on the class members to share their experiences, ideas, and knowledge concerning the required entries. Each enrollee as well as the teacher using the overhead should make the entries in the sample problem pages provided by the teacher for that night's lesson.

Step 4: Enrollees are given time as well as individual assistance in filling out their personal records.

Copies of the Kentucky Farm Record Book and the Five Year Inventory and Depreciation Schedules can be obtained from the Bulletin Room, Agriculture Distribution Center, University of Kentucky, Lexington, Kentucky 40506 at a cost of $1.00 for the record book and $ .25 for the inventory supplement. Each person enrolled in the class should purchase one set of these materials for usage. An order form is included for your convenience.

Teachers may want to utilize the wealth of resources found in each community to supplement their teaching -- local farmers, banking and credit representatives, and others will undoubtedly be pleased to serve as resource people, furnish samples, give demonstrations, conduct tours, arrange for films, and assist with other activities appropriate to the success of the course. Several suggestions for supplementary enrichment activities are listed in each lesson of this unit.

Each teacher using the unit is asked to complete and return the

evaluation questionnaire found in the Appendix. These ratings and suggestions will be used to improve this unit as well as others developed in the future.

Best wishes for a successful adult program.

Steven D. Thomas

John W. Dickens

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OBJECTIVES OF THE COURSE

Major Objective: To develop the effective ability of farmers and their spouses to keep and summarize farm records.

Problem Objectives: To develop the effective ability of farmers and their spouses to:

1. Plan for farm recordkeeping
2. Take beginning and ending inventories
3. Calculate depreciation on all depreciable items
4. Record all ordinary tax deductible farm expenses
5. Record all cash sales
6. Record all livestock and other items bought for resale
7. Record the sale of all livestock and other items which were bought for resale
8. Record all capital items bought
9. Record all capital items sold
10. Record social security data
11. Record all nonfarm income and expenses affecting taxes
12. Record farm business summary
13. Plan for managing taxes

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Problem 1

PLANNING FOR FARM RECORDKEEPING

Objective: To develop the effective ability of farmers and their spouse to plan for farm recordkeeping.

Problem and Analysis: How should we keep farm records?

-- Reasons for keeping records
-- Types of records
-- Systems of recordkeeping
-- Tips for your record system

I. Reasons for keeping records (see 117-1-1). NOTE: Unit 117-Problem 1-Item 1

A. Records are needed in reporting income and social security tax. Good records allow you to adjust your business so as to save tax money and lead to maximum social security benefits. An overlooked expense of $25 could cost up to $3.50 or more in extra tax money. Records are necessary if your farm business is audited by the Internal Revenue Service. You may be asked to explain items which your records could support. Records are also valuable in taking advantage of capital gain and losses, investment credit, and other tax breaks.

B. Records are becoming more essential in securing loans. They provide proof of your business abilities. Often creditors will examine records in order to see your management skills as well as your collateral and repayment ability. Net worth statements are almost always requested by your creditors.

C. Records are essential in analyzing the performance of the farm business. Determining profits and losses, efficiencies, and strengths and weaknesses are all obtained through good records.

D. Cropping histories are very useful in planning cropping rotations and techniques. Often times crop history records have supplied needed information for various government farm programs.

E. Many other needs can be met with records. To receive gas tax refunds, good records must be maintained on farm gas used. Records have been used to determine division of income and other properties in estate settlings. Farm machinery usage as well as records of household consumption can also be useful information in the utilization of income.

II. Types of records

A. The types of farm records (117-1-2) you keep depend on the information you want from them and the amount of time you want to devote. The various types of analyses desired and the record information needed is given in 117-1-3.

The Kentucky Farm Record Book includes these types of records; 1) deductible farm business expense; 2) livestock and other items bought for resale; 3) capital items bought; 4) earnings of employees for Social Security purposes; 5) cash sales of farm-produced items; 6) sales of livestock and other items bought for resale; 7) sales of capital items; 8) summary of cash receipts and expenses; 9) farm business and investment summary; and 10) farm and family financial summary. Aside from these records listed there are several other supplemental ones; these include: record of crop production and land use, non-farm income and expenses, debt payments, tax deductible non-farm expenses and contributions.

B. The Five Year Inventory and Depreciation Schedules provide records of values of: 1) land owned; 2) stored crops, feed and supplies;

3) livestock; 4) farm building, fences and other improvements; 5) machinery and equipment; 6) purchased livestock; and 7) net worth statement.

III. Systems of recordkeeping

A. Your system should be tailored to your particular circumstances. It should be as simple as possible while still including the information needed. Every system should include: 1) an accounting period, 2) an accounting method, 3) adequate and accurate records. The necessary records were discussed in the previous section.

B. The time period in which your income is determined is called an accounting period. This period should be the same as covered by your tax return and once established cannot be changed, unless it is changed in accordance with law. The calendar year is the accounting period most farmers use. However, the fiscal year may be used. A fiscal year is a period of 12 months ending on the last day of any month except December.

C. The accounting methods purpose is to reflect income and expenses accurately. Any method is permissible as long as it is the same method used in filing tax returns. Most farmers have chosen the cash method income, whereby cash or property is included in the year it is actually received or credited to your account. An alternative is the accrual method of accounting. Under this method, income is included for the year in which it is earned, regardless of when payment is received.

D. There are basically two formal accounting systems used in the cash method; single entry and double entry. The single entry accounting systems have the transaction entered in only one account.

Each item is entered only once. Double entry accounting involves the principle of balancing assets and liabilities. The sum of the assets must equal the sum of the liabilities in this system. Double entry accounting is more complex and time-consuming than required by most farmers. (117-1-4) (117-1-5)

E. The Kentucky Farm Record Book is set up on a cash method using a single entry accounting system. It is divided into two parts, cash accounts and capital accounts. The supplement, Five Year Farm Inventory and Depreciation Schedules contain inventory accounts. These are the three major accounts in most farm records.

-- Inventory accounts are the first step in a recordkeeping system. They include items usually thought of as assets: land, building, equipment, machinery, feed, livestock, improvements, etc. Growing, planted or standing crops are not included. An inventory records the value at that present time. Most inventory items are held for sale or further production use, and can be stored or held on the farm.

-- Capital accounts are considered to be items that are depreciable. These items generally include: machinery and equipment, farm auto, farm and soil improvements. Depreciation is a bookkeeping method, used mainly for tax purposes. When depreciating, the cost of a capital item is distributed over its useful life. The total cost may not be deducted as an expense when bought.

-- Cash accounts include farm income and expenses not included in capital and inventory accounts. Items in this account include: sale of milk, crops, livestock, custom work, etc., and expenses such as fertilizer, seed, chemicals, hired labor, insurance, taxes, breeding fees, feeds, etc.

IV. Tips for your record system

A. Helpful hints

-- Record entries in pencil

-- Set up files to correlate with record book

-- Make definite place for receipts and your record book

-- Establish charge accounts and pay accounts by check

-- Establish farm business bank account and personal bank account

-- Keep all paid bills, invoices, checks, etc. for 5 years and 7 years when investment credit is involved

-- Use adding machine or calculator if needed

-- Keep record book in a place easily found (e.g., in a desk with proper lighting and seating favorable to the task)

-- Establish a regular time for keeping records

SUGGESTIONS FOR TEACHING THE LESSON

I. Developing the lesson

A. Things to be done by teacher

— Develop case situations where records would be beneficial to solve problems

— Paper clip some sections of Kentucky Farm Record Book so it doesn't look so complex; e.g., expense and income pages

— Examine each page of the Kentucky Farm Record Book to acquaint students with it

— Have a transparency of Schedule F Tax Form to compare with the record book

— Show a complex set of records and compare it to Kentucky Farm Record Book

II. Conclusion

The keeping of farm records is extremely important to the farmer. There are many reasons for keeping records but the primary objective is to operate a more profitable business. The Kentucky Farm Record Book is used in this class. With a little understanding recordkeeping can be the most productive hours spent on the farm.

III. Enrichment Activities

A. Have a local farmer that keeps good records come in and show his records and systems. Have him give examples of what records have done for him and what would happen if his records were unavailable.

B. Poll class to see: 1) how many keep some kind of records and to what degree they are kept, 2) how many have tried to use Kentucky Farm Record Book or another book, 3) how many can see a benefit to using a record book.

C. Have bank loan officer share his feelings on the need for records.

D. Have tax personnel present to discuss the need for records.

IV. Suggested Teaching Materials

A. References
(Complete bibliographic entry is found in Appendix A - Unit References)

1. Experience Programs for Learning Vocations in Agriculture

2. Farmer's Tax Guide (For use in preparing 1980 returns)

3. Doane's Farm Management Guide

4. Kentucky Farm Record Book

5. Record Keeping on the Farm

6. Tax Desk Book for Farming and Ranching: A Supplement Reflecting Tax Law Changes Made by the Tax Reform Act of 1976 and 1978

7. Modern Agriculture Management

B. Audio-visuals

1. Masters*

-- Reasons for keeping records

-- Types of records

-- Record information needed for various types of farm business analysis

-- Single entry accounting

-- Double entry accounting

---

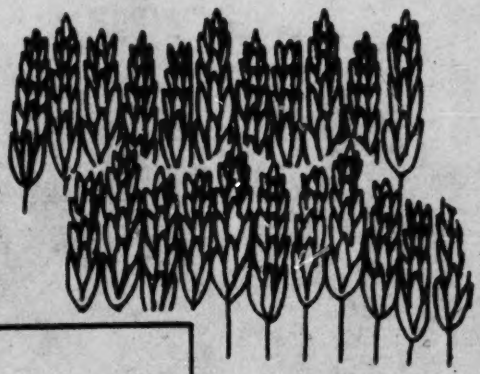
*Masters are keyed to units and lessons and are numbered consecutively. The code number appears in the lower right hand corner. Master "117-1-1" indicates: adult unit number 117 -- lesson 1, item 1.

REASONS FOR KEEPING RECORDS

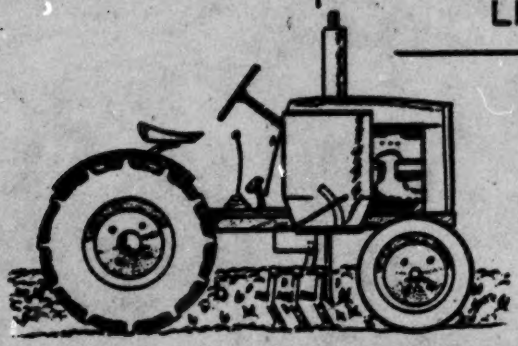
1. REPORTING INCOME AND SOCIAL SECURITY TAX
2. MINIMIZING AMOUNT OF TAXES PAID
3. SECURING LOANS
4. ANALYZING THE FARM BUSINESS
5. DETERMINING EFFECTIVE AGRICULTURAL PRACTICES
6. DISPOSING OF INCOME AND PROPERTY

TYPES OF RECORDS

PRODUCTION INVENTORIES + ASSETS - LIABILITIES



LAND
BUILDINGS
CROPS
MACHINERY
LIVESTOCK



FINANCIAL SUMMARY

RECORD INFORMATION NEEDED FOR VARIOUS TYPES OF FARM BUSINESS ANALYSIS*

Record Information Needed	Type of Analysis Desired					
	Income Tax	Profit or Loss	Net Worth	Cash Flow	Enterprise Analysis	Family Living
Financial Transactions						
Farm Income and Expense	X	X		X	X	
Nonfarm Tax Deductions	X					
Nonfarm Income and Expense	X			X		X
Debt Payments				X		
Inventory						
Depreciation Schedule	X	X	X			
Other Farm Assets		X	X		X	
Nonfarm Assets			X			X
Record of Debts			X			
Production Records						
Feed Records					X	
Livestock Production					X	
Livestock Expenses					X	
Crop Yields					X	
Crop Expenses					X	

*Modern Agriculture Management, Osburn, Donald D. and Kenneth C. Schneeburger. Reston, Virginia: Reston Publishing Company, Inc., 1978, p. 75.

SINGLE ENTRY ACCOUNTING

CROP SALES

DATE	DESCRIPTION	PRICE	AMOUNT	VALUE
JANUARY 15	TOBACCO SOLD	$1.39	3,000 LBS.	$4,170

COMMERCIAL FERTILIZER BOUGHT

DATE	DESCRIPTION	PRICE	AMOUNT	VALUE
FEBRUARY 5	FERTILIZER (5-10-15)	$137.50/TON	2 TON	$275.00

DOUBLE ENTRY ACCOUNTING

LIVESTOCK SALES (ASSET)							
DATE	ITEMS	DEBITS		CREDITS		BALANCE	
3/20/80	6 STEERS			$3,600	00	$ 3,600	00
4/2/80	14 STEERS			8,721	00	12,321	00
5/1/80	PAID ON FEED ACCT.	$45	00			12,276	00

FEED PURCHASES (LIABILITY)							
DATE	ITEMS	DEBITS		CREDITS		BALANCE	
2/28/80	30 LBS. SUPPLEMENT	$30	00			30	00
4/6/80	150 LBS. SUPPLEMENT	15	00			45	00
5/1/80	PAID ON ACCOUNT			45	00	0	
	(FROM LIVESTOCK SALES)						

Problem 2

RECORDING INVENTORIES

Objective: To develop the effective ability of farmers and their spouse to take beginning and ending inventories.

Problem and Analysis: How should we take farm inventories?

-- Component parts
-- Taking the inventory
-- Procedure of entering

I. Component parts

An inventory is an itemized listing of all personal and real property on hand. A complete and accurate record of your inventories should be maintained as part of your farm records. Included in this should be all the factors that enter into its valuation, such as quantity, price per unit, and total value.

II. Taking the inventory

Determining the inventory values for grain, hay and supplies, market animals, and raised breeding stock are easy to do once the quantities have been determined. Simply multiply the number or amount on hand by the current market value or an assigned value. Methods of valuation can be found in the Farmer's Tax Guide. Inventories (on purchased breeding livestock; machinery and equipment; and building equipment where the ending inventory figures are affected by whether items were sold or purchased during the year and also by the amount of annual depreciation charged off) can be determined by adding the beginning inventories and the purchases made during the year together and then subtracting the sales of assets and depreciation.

For example:

Beginning Inventory + Purchases - Sales - Depreciation = Ending Inventory Value

$1,000 + $1,000 - $300 - $200 = $1,500

The beginning inventories will always be the same as last year's ending inventories. This principle is followed in the Five Year Farm Inventory and Depreciation Schedules.

III. Procedure of entering

Using one line for each item record the following in the appropriate column:

A. Description of item

B. Amount or number of items

C. Weight of items (in livestock only)

D. Price of item (in stored crops, feed and supplies)

E. Total value of items

NOTE: Space is provided for 5 years of inventory.

Suggestions for Teaching

I. Developing the lesson

A. Things to be done by teacher

1. Issue practice sheets and a Five Year Inventory and Depreciation Schedule to each enrollee.

2. Work through a sample entry. Mr. Jones has 1,500 bushels of corn on hand. He estimates the farm market value to be $2.50 per bushel. He enters the following:

Description -- "corn"
Amount -- "1,500 bu."
Price -- "$2.50"
Value -- "$3,750"

The first column is the beginning inventory and the second is

the ending inventory. Therefore, each ending inventory becomes next year's beginning inventory.

3. Additional examples can be found in the sample problem data of Appendix B. Work through several of the examples given.

4. The instructor may also briefly explain how to take inventories. Examples of calculating amounts of feed and supplies are helpful handouts for the farmers. Doane's Facts and Figures for Farmers may be a useful reference in determining inventories. In addition, some rules for computing quantities are provided in this unit.

II. Suggested teaching materials

A. References

1. Doane's Facts and Figures for Farmers
2. Doane's Farm Management Guide
3. Farmer's Tax Guide (For use in preparing 1980 returns)
4. Five-Year Farm Inventory and Depreciation Schedules for Use With Kentucky Farm Record Book
5. Income Tax Management for Farmers
6. Farm Records -- A Management Tool
7. Record Keeping on the Farm
8. Standard of Measures of Efficiency for 1979
9. Cornell Farm Account Book
10. Inventorying Resources for Farm Planning

B. Audio-visuals

1. Masters

-- Weights and Measures
-- Guideline for computing quantities of high moisture corn
-- Capacity of tower silos
-- Inventory of land owned; inventory of stored crops, feed, and supplies (blank)
-- Inventory of livestock (blank)

WEIGHTS AND MEASURES*

Pounds in One Bushel	
Corn	56
Oats	32
Wheat	60
Barley	48
Buckwheat	48
Potatoes	60
Apples	40-45
Legume	60
Sorghum	50
Timothy Seed	45

One bushel equals 32 quarts or approximately 1¼ cubic feet

Land Measurement

1 rod = 16.5 feet
= 10 square chains
= 43,560 square feet
1 chain = 4 rods (66 feet)
1 mile = 80 chains (5280 feet)
1 acre = 160 square rods
1 section = 640 acres (1 square mile)
1 rod = approximately 5 meters
1 acre = approximately 0.4 hectares
1 mile = approximately 1.6 kilometers

Cubic Feet per Ton of Hay and Straw

Baled loose	250-300	Chopped long	250-350
Baled tight	200-250	Chopped short	200-250

GUIDELINES FOR COMPUTING QUANTITIES OF GRAIN AND SILAGE STORED

Grain: Bin capacity in bushels × cubic feet × 80%
Ear Corn: Cubic feet × 40% = bushels
By weight, 70 pounds of ear corn = 56 pounds of shelled corn.
By measure, 1 bushel grain = 2 bushel ear corn.

High Moisture Corn: see next page.
Silage in a Horizontal Silo: Weight per cubic foot = 30-40 pounds depending upon depth, compaction, moisture, etc. Calculate cubic feet per running foot (average width × depth) and multiply by average weight per cubic foot.

HOW TO COMPUTE QUANTITIES OF STORED SILAGE IN TOWER SILOS

The original amount of silage put in a silo can be estimated from the silage table on the back cover.

The depth to use is that found two days after filling stopped.

What is left in the silo after part has been used can be estimated as follows:

First: Find the original amount of silage put in the silo by referring to the table.

Second: Find the amount of silage that has been used by the same method, using as depth the difference between the present depth and the original depth after filling stopped.

Third: Subtract the amount used from the original amount. The difference is the approximate amount of silage remaining in the silo.

For example:

A silo 16 feet in diameter and 40 feet high was filled so that after settling there were 36 feet of the silage. At the time the inventory was taken there were 12 feet of silage left.

The 36 feet of silage in a 16-foot silo = 161 tons.
Since 12 feet of silage were left, 24 feet had been fed, and 24 feet of silage in a 16-foot silo = 91 tons. Therefore, the bottom 12 feet of silage in this silo would contain 70 tons of 70 percent moisture content silage.

The density and weight of silage in a given space vary with moisture content, length of cut, filling procedure, and stage of maturity. The silo capacity table on the back cover measures silage at 70 percent moisture content. The variation caused by different levels of moisture content can be measured and dealt with in one of two ways:

1. Convert tons of silage to tons of hay equivalent directly from the silo capacity table. The capacity of a silo measured in tons of hay equivalent does not change significantly as moisture content of silage varies. To convert tons of 70 percent moisture silage to hay equivalent, divide by 3.
2. Adjust the rated capacity of the silo using the following factors:
   a. If moisture content is 40 percent, divide the tonage figures in the table by 2.
   b. If moisture content is approximately 50 percent, use 60 percent of the rated tonage capacity in table.
   c. If moisture content is 60 percent, take approximately 75 percent of the rated capacity.

*Cornell Farm Inventory and Depreciation Book. Department of Agricultural Economics, New York State College of Agriculture and Life Sciences, Ithaca, New York, 1976, p. 28.

GUIDELINES FOR COMPUTING QUANTITIES OF HIGH MOISTURE CORN AND CONVERTING TO DRY SHELL EQUIPMENT*

Tower Silo Capacities for High Moisture Corn

Settled depth	Tons high moisture ear corn† Inside diameter in feet				Tons H.M. shelled corn‡ (sealed storage 20-ft diameter)
	14	16	18	20	
15	47	62	78	97	113
20	65	84	107	132	154
25	83	108	137	169	192
30	102	133	168	207	236
35	121	158	200	247	274
40	142	185	234	289	320
45	163	213	269	332	360
50	185	241	305	377	407
55		271	342	423	448
60		302	381	471	498
65			421	520	
70			462	571	

† Based on 33% moisture content.
‡ Based on 28% moisture content.
H.M.E.C. stored in horizontal silos will range from 40 to 42 lb/cu ft

Corn Grain Conversion Table

Percent moisture in kernel	Lb of shelled corn needed to equal 1 bu of dry shelled*	Percent moisture in whole ear	Lb of ear corn needed to equal 1 bu of dry shelled corn*
14.0	55.0	14.2	66.9
15.5	56.0	16.0	68.4
16.0	56.3	16.6	68.9
18.0	57.7	19.7	71.3
20.0	59.2	22.6	74.0
22.0	60.0	25.2	76.8
24.0	62.3	27.9	79.8
26.0	63.9	30.0	82.8
28.0	65.7	32.6	85.6
30.0	67.6	34.6	88.5
32.0	69.6	36.4	91.4
35.0	72.8	39.3	95.7

* One bushel of No. 2 corn at 15.5% moisture content.

Corn Conversion Formula:

_____ tons corn × 2000 / _____ lb = _____ bu dry sh. equivalent

_____ lb to equal 1 bu dry sh. (see above table)

*Cornell Farm Inventory and Depreciation Book. Department of Agricultural Economics, New York State College of Agriculture and Life Sciences, Ithaca, New York, 1976, p. 29.

CAPACITY OF TOWER SILOS*

Approximate Tons of Settled 70% Moisture Silage

Depth of silage	Inside diameter of silo in feet									Mean weight of settled silage per cubic foot
	12	14	16	18	20	22	24	26	30	
(Feet)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Tons)	(Pounds)
10	[illegible]	20	26	33	41	50	59	70	93	26.3
11	[illegible]	23	30	38	47	57	68	80	106	27.3
12	[illegible]	26	34	43	53	64	77	90	120	28.2
13	21	29	38	48	59	72	86	100	134	29.1
14	24	32	42	53	66	80	95	111	148	30.0
15	26	36	47	59	73	88	105	123	163	30.9
16	29	39	51	65	80	96	115	135	179	31.7
17	31	43	56	70	87	105	125	147	195	32.5
18	34	46	60	76	94	114	136	159	212	33.3
19	37	50	65	82	102	123	147	172	229	34.1
20	39	54	70	89	110	133	158	186	248	34.9
21	42	58	75	95	118	143	170	200	266	35.6
22	45	62	80	101	126	152	181	214	283	36.3
23	48	67	86	107	133	161	191	226	300	37.0
24	51	70	91	113	142	172	204	240	320	37.7
25	54	73	96	121	150	182	216	254	337	38.4
26	57	78	101	128	159	192	228	269	358	39.0
27	60	82	106	135	168	204	241	284	378	39.6
28	64	86	115	146	177	214	254	300	398	40.2
29	67	91	120	153	186	227	267	314	418	40.8
30	70	96	125	158	195	236	280	330	440	41.4
31	74	101	130	165	205	248	294	346	462	42.0
32	77	106	135	172	215	260	309	364	483	42.6
33	81	110	145	182	225	272	323	380	507	43.2
34	84	114	150	190	234	284	336	396	527	43.8
35	88	119	156	197	244	296	350	413	550	44.4
36	92	124	161	205	254	308	365	430	572	45.0
37	95	129	167	213	264	320	380	447	594	45.5
38	99	135	176	222	274	332	394	463	617	46.0
39	103	140	182	230	284	344	408	480	640	46.5
40	106	145	189	239	295	358	423	500	663	47.0
41	110	150	196	247	306	370	440	517	690	47.5
42	114	155	203	255	317	384	455	537	713	48.0
43	118	161	209	266	328	397	470	555	738	48.5
44	122	166	217	274	339	410	487	573	763	49.0
45	126	171	224	283	350	425	503	592	788	49.5
46	130	177	230	292	361	437	518	610	813	50.0
47	134	183	236	301	372	450	535	630	836	50.5
48	139	187	246	311	384	465	552	650	865	51.0
49	143	194	253	320	395	478	568	668	890	51.5
50	147	200	261	330	407	492	583	688	913	52.0
52	155	212	277	350	431	522	620	730	970	52.8
54	163	224	293	370	455	550	655	770	1020	53.6
56	171	236	309	390	480	580	690	810	1080	54.4
58	179	248	325	410	504	610	725	870	1130	55.2
60	188	260	341	430	529	640	760	910	1190	56.0
65				490	610	722	859	1010	1342	58.6
70				537	663	803	960	1130	1567	61.3
75					748	905	1076	1264	1681	63.5
80					829	997	1200	1430	1980	68.0

Data adapted from the National Silo Association

*Cornell Farm Inventory and Depreciation Book. Department of Agricultural Economics, New York State College of Agriculture and Life Sciences, Ithaca, New York, 1976, p. 30.

2

INVENTORY OF LAND OWNED

Line	Description	19___ Beginning Inventory Acres	Price	Value	19___ Ending Inventory Acres	Price	Value	19___ Ending Inventory Acres	Price	Value
1	Land (Exclude Improvements)			$			$			$
2										
3										
4										
5										
6	Totals—Pages 47; Line 23									

INVENTORY OF STORED CROPS, FEED AND SUPPLIES

Line	Description	Amount	Price	Value	Amount	Price	Value	Amount	Price	Value
11				$			$			$
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30	Totals—Page 47; Line 24									

117-2-4

4

INVENTORY OF LIVESTOCK

(Include all livestock—both purchased and raised)

Line	Description of Livestock	19____ Beginning Inventory No.	Weight	Value	19____ Ending Inventory No.	Weight	Value	19____ Ending Inventory No.	Weight	Value
1				$			$			$
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
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22										
23										
24										
25										
26										
27										
28										
29										
30	Totals—Page 47; Line 25									

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33

20

32

Problem 3

RECORDING DEPRECIABLE ITEMS

Objective: To develop the effective ability of farmers and their spouse to calculate depreciation on all depreciable items.

Problem and Analysis: How should we record depreciation?

-- Tax basis
-- Useful life
-- Salvage value
-- Method of depreciation
-- Procedure of entering

The total cost of capital expenditure may not be deducted in the year of purchase. However, you may deduct, as depreciation, an allowance for exhaustion, wear and tear and obsolescence of property. This will allow you to recover the cost of your farm improvements, machinery, equipment, and purchased breeding, dairy and work stock during the years of their life. Items eligible for depreciation must be used in the farm business or held for production of income, and must have a useful life of more than one year. Inventories, stock-in-trade and land are not depreciable. Also, assets held for personal use, such as family autos, are not depreciable.

Depreciation begins when an asset is placed in service and ends when it is retired from service. It must be taken in the year it is sustained. This is one good reason it is so important to keep good records. Records of depreciable items need not be complicated. The simpler ones often prove to be the best for tax purposes. The forms in the Five-Year Depreciation Schedule furnishes all the information needed for a farm business at tax time.

I. Tax basis

In order to compute depreciation we must first have a basis to determine

the value of the item. The basis on which depreciation is started depends on the manner in which it was obtained. Usually the purchase price is the basis of an asset. Exceptions are made for trades, trade-ins, and inherited property, see Farmer's Tax Guide for details. Here is an example of determining depreciation basis.

Depreciation Basis

Method of Determining Basis of Property:

Undepreciated value of trade-in
+ Cash boot paid

= cost basis
- additional 20% 1st yr. depreciation (of $3,500)
- Any salvage

= Basis for regular depreciation (straight line or sum of years digits methods)

Example

$1,500
3,500
5,000
- 700 (20% of $3,500)
- 250 ($750 - 10% of cost)
$4,050

II. Useful life (see 117-3-1)

Useful life is the number of years you use an asset before it wears out or is traded or sold. This does not mean the "inherent" useful life but the years of useful life to you. For example, a tractor may have an economic life of 15 years but you plan to sell it after 5 years. Five years is its useful life to you. There is no average useful life that is recognized as applicable to all farms. The Internal Revenue Service has established a set of depreciation guidelines for useful life. But remember, these are guidelines only and

often greater or shorter life can be applicable to your situation. You should determine the useful years of an asset on the basis of your particular operating conditions. The IRS guidelines for agriculture assets are as follows:

Farm machinery, equipment and fence	10 years
Cattle, breeding or dairy	7 years
Horses, breeding or work	10 years
Hogs, breeding	3 years
Farm building	25 years

III. Salvage value

Salvage value is the value of an asset at the end of its useful life to you. Your own farming practices will help determine the salvage value you estimate. If you are accustomed to disposing of items rather quickly, while they are in good shape, your salvage value may be substantial. But if you commonly use assets to the extent of their economic value, the salvage value may be no more than junk value. If you acquire new or used personal property with a useful life of 3 years or more, a salvage value up to 10% of the cost basis may be ignored and thus the total cost may be depreciated. This rule does not apply to livestock. For livestock the true salvage value must be used. For further detailed discussion of depreciation and salvage, see the Farmer's Tax Guide.

IV. Method of depreciation

The IRS states that any manner of depreciation that produces a reasonable allowance and is consistent is acceptable for use. The three methods most commonly used are: 1) straight line method, 2) the declining balance method, 3) the sum of the years digits

method. The straight line method is the simplest and most widely used.

A. The straight line method enables you to distribute the cost of an item, less its salvage value, equally over the useful life of the asset. This method is computed by dividing the cost, less salvage value, by the years of useful life. Even though the straight line is the simplest method, the declining balance and sum of the years digit have definite advantages for many taxpayers. Here is an example of straight line (SL) depreciation. A tractor bought for $10,000.00, no salvage value and 10 years of life:

Straight Line

First Year — $\frac{10,000 - 0}{10 \text{ yr.}}$ = $1,000 dep./year

Second Year — $\frac{10,000 - 0}{10 \text{ yr.}}$ = $1,000 dep./year

B. The declining balance is the fastest of the "fast write off" methods. It may not be used for intangible property (e.g. stocks, bonds, life insurance). Salvage value is not subtracted from the cost as in other methods. Under this method the largest depreciation is deducted the first year and gradually smaller deductions in each of the following years. There are limitations on the maximum rate that may be used to compute depreciation under this method. In some cases, you may use a rate twice that of straight line, in other circumstances you are limited to a rate that is 1½ or 1¼ times the straight line rate. Consult your Farmer's Tax Guide for further details.

Here is an example of declining balance (DB) depreciation:

Declining Balance

First Year — 10,000 x 20% (double straight-line method) = $2,000/year

Second Year — 10,000 - 2,000 x 20%

8,000 x 20% = $1,600

C. The sum of the years digits method is another "fast write-off" method which is limited to certain property. This method can only be used on new property (except real estate) with a life of 3 years or more. It is figured by subtracting the salvage from the original cost. Then each year's depreciation is figured by taking a fraction and multiplying by this amount. The fraction is determined this way. The denominator (bottom number) is found by adding all the years of useful life. The numerator is the years of useful life remaining.

Here is an example of sum of the year digits (SY-D) depreciation:

Sum of the Year Digits

First Year — $\frac{\text{10 yr. remaining x 10,000}}{1+2+3+4+5+6+7+8+9+10 = 55}$ = $1,818

Second Year — $\frac{\text{9 yr. remaining x 10,000}}{55}$ = $1,636

V. Procedure of entering

Using one line for each item, record the following:

1. Description of asset — briefly describe item
2. Date acquired
3. Cost or other basis — original cost or value
4. Adjustment in cost — salvage value
5. Depreciable balance — depreciation remaining to be taken
6. Estimated Life — useful life to you
7. Depreciation method — SL, DB, SY-D

8. Remaining Cost, January 1 -- would be same figure as depreciable balance

9. Depreciation for year -- amount depreciation claimed that year

10. Remaining cost, December 31 -- remaining cost, January 1, minus depreciation for year

Suggestions for Teaching the Lesson

I. Developing the lesson

A. Things to be done by teacher

1. Duplicate helpful visuals and hand out

2. Work through sample entry

Description -- "3 rolls of woven wire fence" (in storage)
Date Acquired -- "3/79"
Cost -- "$240.00"
Adjustment in Cost -- "$9.00" (calculated $\frac{240}{20 \text{ yr.}}$ =

$$\$12.00 \times \frac{9 \text{ months remaining in year}}{12 \text{ months in year}} = \$9.00)$$

Depreciable Balance -- "$240.00"
Estimated Life -- "20"
Depreciation Method -- "SL"
Remaining Cost, January 1, 1979 -- "$231.00" (3/4 of $12.00 had been taken the previous year)
Depreciation for Year 1980 -- "$12.00"
Remaining Cost, December 31, 1980 -- "$219.00"

3. Have class members fill out data for sample problem on sheets provided by the instructor. Information for the sample problem can be found in Appendix B.

II. Suggested teaching materials

A. References

1. Doane's Farm Management Guide

2. Doane's Tax Guide for Farmers

3. Farmer's Tax Guide (For use in preparing 1980 returns)

4. Tax Desk Book for Farming and Ranching: A Supplement Reflecting Tax Law Changes Made by the Tax Reform Act of 1976 and 1978

5. Five-Year Farm Inventory and Depreciation Schedules for Use With Kentucky Farm Record Book

6. Income Tax Management for Farmers

7. Farm Records -- A Management Tool

B. Audio-visuals

1. Masters

— Suggested Guidelines for Depreciation of Farm Property
— Farm Buildings, Fences and Other Improvements/Five-Year Depreciation Schedule
— Machinery and Equipment/Five-Year Depreciation Schedule
— Purchased Breeding Livestock/Five-Year Depreciation Schedule

SUGGESTED GUIDELINES FOR DEPRECIATION OF FARM PROPERTY *

Kind of Property	Class of Life Guide-lines	Eligible for Additional 20% 1st Year Depreciation?*	DEPRECIATION, METHOD AND BASIS			Eligible for Investment Credit?
			Eligibility of Straight Line	Eligibility of Declining Balance	Eligibility of Sum of Years Digits	
New Machinery	(Yrs.) 10	Method: Yes, if 6 yrs. or more life. Basis: cash only.	Method, Yes, if 2 yrs. or more life. Basis: Cash plus unde-preciated bal-ance, less 20% additional 1st yr., if taken, less salvage.	Method: Yes, if 3 yrs. or more life. Limited to 200% of of straight line rate Basis: Cash & undepre-ciated balance of trade, less 20% addition-al, if taken, salvage not deducted.	Method: Yes, if 3 yrs. or more life. Basis: Same as straight line.	Yes Basis: Cash plus unde-preciated balance of trade.
Used Machinery	Est. Life	Same as above.	Same as above.	Same as above, except limited to 150% of straight line rate.	Not eligible	Yes, Basis: Cash only.
Livestock: Breeding Dairy Horses	3-10	Same as above.	Same as above. Salvage must be used.	Same as above, except limited to 200% of straight line rate. Used 150%.	Method: Yes if 3 yrs. or life. Used is not eligible. Basis: Same as straight line.	Yes (but not horses).
Buildings (Not including res-idential.)	25	Not eligible.	Method: Yes. Basis: Cost less salvage	Limited to 150% of S.L. Used not eligible.	Not eligible.	Not eligible
Fence Silos Grain Storage Drain Tile Feed bunks Paved yards Wells	10 20 25 20 15 20 15	Not eligible.	Method: Yes.	Method: Yes, if 3 yrs. life. Limited to 150% of straight line. Used is not eligible. Basis: Cost.	Not eligible.	Yes. Basis: Cash plus undepreciated balance of trade.
Groves, Orchards & Vineyards	Est. life	Not eligible.	Same as above except depre-ciation begins with the in-come produc-ing stage.	Same as above except depre-ciation begins with the in-come produc-ing stage.	Not eligible.	Yes, but eligible only as market-able products are produced.

*Limited to a $10,000 cost of property on a single return, a $20,000 cost of property on a joint return.

*North Central Regional Extension, Publication No. 2
R. N. Weigle, R. Edward Brown, Jr. and Robert S. Smith, 1977, p. 10

FARM BUILDINGS, FENCES AND OTHER IMPROVEMENTS
FIVE-YEAR DEPRECIATION SCHEDULE

Line	Description of Asset	Date Acquired	Cost or Other Basis	Adjustment in Cost	Depreciable Balance	Est. Life	Depr. Meth.	19____ Remaining Cost, Jan. 1	19____ Depreciation for Year	19____ Remaining Cost, Dec. 31
1			$		$			$	$	$
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
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17										
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27										
28										
29										
30	Totals—Page 47; Line 26									

117-8-2

8

MACHINERY AND EQUIPMENT
FIVE-YEAR DEPRECIATION SCHEDULE

Line	Description of Asset	Date Acquired	Cost or Other Basis	Adjustment in Cost	Depreciable Balance	Est. Life	Depr. Meth.	19____ Remaining Cost, Jan. 1	19____ Depreciation for Year	19____ Remaining Cost, Dec. 31
1			$		$			$	$	$
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
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22										
23										
24										
25										
26										
27										
28										
29										
30	Cont'd on Page 10									

117-3-3

12

PURCHASED BREEDING LIVESTOCK
(Income Tax Use Only)
FIVE-YEAR DEPRECIATION SCHEDULE

Line	Description of Asset	Date Acquired	Cost or Other Basis	Adjustment in Cost	Depreciable Balance	Est. Life	Depr. Meth.	19____ Remaining Cost, Jan. 1	19____ Depreciation for Year	19____ Remaining Cost, Dec. 31
1			$		$			$	$	$
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30	Totals									

IIT-3-4

31

Problem 4

RECORDING FARM EXPENSES

Objective: To develop the effective ability of farmers and their spouse to record all ordinary tax deductible farm expenses.

Problem and Analysis: How should we record ordinary tax deductible farm expenses?

— Date
— Quantity
— Description of expense
— Total amount paid
— Re-entry

I. Recording expenses

Pages 2-25 are provided for ordinary tax deductible farm expenses.

Using one line for each item of expense, record the following:

1. Date item was purchased. Date can be recorded either with slashes, 1/7/80, or with dashes, 1-7-80. Enter date in column 1.
2. Amount of item purchases is to be entered in column 2. Amounts should be labeled. Example: 10 ton, 110 bushel, 40 lbs.
3. Description of expense item is to be entered in column 3. Give a brief description in easy to understand terms.
4. Enter total amount paid in column 4.
5. Re-enter the total amount paid in columns 5-25. The description of expense should fall under one or more of these columns. An explanation of the columns follows:

Column Explanation

The first four columns (1, 2, 3, 4) have been explained above. Column 5 — Hired Labor — The amount listed for hired labor in column 5 is determined first by making the appropriate entries on pages 30 and 31, Social Security Record for Hired Worker. Be sure to record the total amount of wages paid in column 5.

Column 6 -- Repair and Maintenance -- Enter all repair and maintenance on machinery, buildings, or fences which is of current operating nature and does not increase the life of the item.

NOTE: If the expenditure noticeably increases the life of the item it should not be recorded here. It has thus become a capital investment and should be recorded on pages 28 and 29 under capital items bought.

Column 7 -- Interest -- Interest payment on farm mortgage or other items which are necessary in carrying out the farm business.

Column 8 -- Feed Purchased -- Include all cash expenses for feeds, bedding, grinding and mixing in this column. Do not include home grown feeds. Items included in this column might include: supplements, straw, grinding fee, mineral salt.

Column 9 -- Seeds & Plants -- Include all seeds, plants, seed cleaning, and innoculation in this column. Examples of this might be: seed corn, alfalfa seed, innoculant, tomato plants, tobacco plants. Do not include home grown seed or plants or seeds for home use.

Column 10 -- Fertilizer & Lime -- Fertilizer, soil treatments, and lime are entered in Column 10.

NOTE: Farm chemicals can be included in this column. This is because Schedule F, line 39, calls for deductions of fertilizers, lime, and chemicals.

Column 11 -- Machine Hire -- Record all hired machinery work here. Items such as combining, hay making, spraying, silo filling, etc. should be included in Column 11.

Column 12 -- Expenditures for consumable supplies such as baler twine, ear tags, rope halters can be entered here.

NOTE: If doubts arise as to whether an item is a repair or supply,

generally go with supply. An item which would otherwise be treated as a repair can properly be treated as a supply if a number of these items are bought in order to have them on hand when needed. An example of this might be mowing machine sections or shear pins.

Column 13 — Breeding Fees — Expenditure made for breeding farm animals should be included in this column. Items such as AI charge, seasons on stallions, etc. are included here.

Column 14 — Veterinary and Medicine — Any expense incurred due to the health of farm animals would be included in Column 14.

Column 15 — Gas, Fuel, Oil — Record all purchases of oil, gas, grease, and any other petroleum product used in the farming business. If gas and oil are purchased by the farm and used in the private automobile, the personal share should be deducted from the total purchase.

Column 16 — Storage and Warehousing — In Column 16 enter all storage and warehousing expenses.

Column 17 — Taxes — All expenditures for real estate taxes, taxes on farm property, employer's share of social security tax, truck license, and other taxes chargeable to the farm business should be included in Column 17.

NOTE: Federal income tax is a personal expense and should not be entered here.

Column 18 — Farm Insurance — Enter cash payment for all insurance which pertains to the farm business. Items included in this would be fire, wind, hail, liability insurance, Workmen's Compensation, truck and other insured farm equipment and hospitalization and health insurance carried on farm laborers. Do not include life insurance premium since it is of a personal nature.

Column 19 — Utilities — Farm Share — Column 19 should include electrical, water, and telephone expenditures. Adjustment for the personal share should be deducted if billings are for both farm and personal use.

Column 20 — Rent — All cash, rent, or lease for farm land or other farm items should be included in Column 20.

Column 21 — Trucking — All trucking charged to the farm business should be entered in Column 21.

Column 22 — Conservation Expenses — Any expense incurred due to the conservation of natural resource use on the farm is entered here. Items of this nature include digging a pond or lake, seeding washes or grass waterways, damming creeks or streams, etc.

Column 23 — Farm Organization Dues — Items such as Farm Bureau dues and NFO dues, or any other farm organization dues should be included here.

Columns 24 & 25 are left open for miscellaneous entries. Some suggestions include marketing and auto expense.

Suggestions for Teaching the Lesson

I. Developing the lesson

A. Things to be done by teacher

1. Define ordinary tax deductible items. Consumable items which were bought for use in the business of farming and have a useful life of approximately one year. Capital items having a useful life of more than one year should be depreciated and the original cost of the item should not be deducted that year.
2. Issue practice sheets and a record book for farmer's usage.

3. Work through an example of a deductible farm expense.

   Mr. Jones purchased repair parts for his loader on January 15. He recorded the following:

   Column 1. Date — "1/15"

   Column 2. Quantity —

   Column 3. Description — "Repairs for loader"

   Column 4. Total Amount — "30.00"

   Column 6. Repair and Maintenance — "30.00"

4. Have class members fill out data for sample problem.

II. Enrichment activities

A. Show a transparency of Schedule F (117-4-3). Illustrate how Part II (Farm Deductions) of Schedule F coincides with the Deductible Farm Business Expense pages in the Kentucky Farm Record Book.

B. Have class members start filling out the expense sheet in their record book or have them bring their receipts to class to record.

III. Suggested teaching materials

A. References

1. Farm Records -- A Management Tool
2. Farmer's Tax Guide (For use in preparing 1980 returns)
3. Kentucky Farm Record Book

B. Audio-visuals

1. Masters

   -- Deductible Farm Business Expenses
   -- Deductible Farm Business Expenses (Cont'd)
   -- Schedule F

DEDUCTIBLE FARM BUSINESS EXPENSES

Item	1 Date	2 Quantity	3 Description of Expense	4 Total Amount Paid	5 Hired Labor	6 Repair and Maintenance	7 Interest	8 Feed Purchased	9 Seeds and Plants	10 Fertilizer and Lime	11 Machine Hire	12 Farm Supplies
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
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22												
23												
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26												
27												
28												
29												
30												
31	Carry totals to top of pages 44 and 45.											

DEDUCTIBLE FARM BUSINESS EXPENSES (Cont'd)

13	14	15	16	17	18	19	20	21	22	23	24	25	Line
Breeding Fees	Veterinary and Medicine	Gas, Fuel, and Oil	Storage and Warehousing	Taxes	Farm Insurance	Utilities-Farm Share	Rent	Trucking	Conservation Expenses	Farm Organization Dues			1
													2
													3
													4
													5
													6
													7
													8
													9
													10
													11
													12
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													29
													30
													31

SCHEDULE F (Form 1040)
Department of the Treasury
Internal Revenue Service

Farm Income and Expenses

▶ Attach to Form 1040, Form 1041, or Form 1065.
▶ See Instructions for Schedule F (Form 1040).

1979
16

Name of proprietor(s) (1) JAMES A. BROWN

Social security number 579 28 6685

Farm name and address ▶ JAMES A. BROWN, RR #1, BOX 25, HOMETOWN, YOUR STATE 02115

Employer identification number (see instructions) 71 9361 9714

Part I Farm Income—Cash Method

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

Sales of Livestock and Other Items You Bought for Resale

a. Description	b. Amount	c. Cost or other basis
1 Livestock ▶ HEIFERS PURCHASED FOR (2) RESALE	3,450	2,000
2 Other items ▶		
3 Totals	3,450	2,000
4 Profit or (loss), subtract line 3, column c, from line 3, column b ▶		1,450

Sales of Livestock and Produce You Raised and Other Farm Income

Kind	Amount
5 Cattle	
6 Calves (3)	1,658
7 Sheep	
8 Swine	
9 Poultry	
10 Dairy products	45,727
11 Eggs	
12 Wool	
13 Cotton	
14 Tobacco	
15 Vegetables	
16 Soybeans	
17 Corn	
18 Other grains	
19 Hay	1,133
20 Straw	
21 Fruits and nuts	
22 Machine work (4)	504
23 Patronage dividends	250
24 Per-unit retains	
25 Nonpatronage distributions from exempt cooperatives	
26 Agricultural program payments: a Cash (5)	20
b Materials and services	162
27 Commodity credit loans under election (or forfeited)	275
28 Federal gasoline tax credit (6)	70
29 State gasoline tax refund	
30 Other (specify) CROP INS. PROCEEDS (7)	312
STATE FAIR PRIZES	350
31 Add lines 5 through 30 (8)	50,461
32 Gross profits* (add lines 4 and 31) ▶	51,911

Part II Farm Deductions—Cash and Accrual Method

F

Do not include personal or living expenses (such as taxes, insurance, repairs, etc., on your home), which do not produce farm income. Reduce the amount of your farm deductions by any reimbursement before entering the deduction below.

Items	Amount
33 a Labor hired	2,219
b Jobs credit	
c WIN credit	
d Total credits	(9)
e Balance (subtract line 33c from line 33a)	2,219
34 Repairs, maintenance (10)	1,618
35 Interest (11)	1,862
36 Rent of farm, pasture (12)	600
37 Feed purchased (13)	12,091
38 Seeds, plants purchased (14)	1,143
39 Fertilizers, lime, chemicals (15)	2,249
40 Machine hire (16)	1,100
41 Supplies purchased (17)	1,602
42 Breeding fees (18)	339
43 Veterinary fees, medicine	1,510
44 Gasoline, fuel, oil (19)	1,025
45 Storage, warehousing	
46 Taxes (20)	1,535
47 Insurance (21)	1,053
48 Utilities (22)	1,025
49 Freight, trucking (23)	1,028
50 Conservation expenses (24)	790
51 Land clearing expenses	
52 Pension and profit-sharing plans	
53 Employee benefit programs other than line 52	
54 Other (specify) ▶	
ADVERTISING	234 (25)
FINANCIAL RECORDS	83
FARM ORG. DUES (26)	175
DEATH LOSS-HEIFER PURCHASED FOR RESALE	225 (27)
55 Add lines 33e through 54	33,506
56 Depreciation (from Part III, line 62)	5,010 (28)
57 Total deductions (add lines 55 and 56) ▶	38,516

58 Net farm profit or (loss) (subtract line 57 from line 32). If a profit, enter on Form 1040, line 19, and on Schedule SE, Part I, line 1a. If a loss, go on to line 59. (Fiduciaries and partnerships, see the instructions.) 58 — 13,395 (29)

59 If you have a loss, do you have amounts for which you are not "at risk" in this farm (see instructions)? ☐ Yes ☐ No

*Use amount on line 32 for optional method of computing net earnings from self-employment. (See Schedule SE, Part I, line 3.)

Problem 5

RECORDING CASH SALES

Objective: To develop the effective ability of farmers and their spouse to record all cash sales.

Problem and Analysis: How should we record cash sales of farm-produced items and other farm income?

-- Date
-- Quantity
-- Description
-- Total amount received
-- Re-entry

I. Recording Sales

Pages 32 through 39 are allowed for cash sales of farm-produced items and other farm income. Each two pages are divided into four sections; Sale of Livestock Raised, Sale of Livestock Product, Sale of Crops and Other Farm Income.

Using one line for each item record the following:

1. Date of sale
2. Quantity sold
3. Description of item sold
4. Total amount received for the item
5. Re-enter the total amount received in its appropriate block in columns 5 through 25. An explanation of these columns follows.

Column Explanation of Cash Sales

Columns 5-8 -- Sale of Livestock Raised -- Record receipts from market livestock raised for sale as feeder or finished animals. Do not enter breeding livestock raised and held for more than one year. Sales of these animals are entered on page 43. Column 5 is reserved for cattle, column 6 for hogs and columns 7 & 8 are open for other livestock sales.

Columns 9-12 -- Sale of Livestock Products -- In these columns enter the sale of livestock products of the farm business. Column 9 is reserved for milk, column 10 for eggs, and columns 11 & 12 are open for other livestock products such as cream and wool.

Columns 13-18 -- Sale of Crops -- Record receipts from farm crops in these columns. Receipts from tobacco are entered in column 13, corn - column 14, wheat - column 15, soybean - column 16, hay in column 17, and column 18 is open for other crops.

Column 19 -- Custom Work -- All income received for custom work should be entered in column 19. Items included in this are hauling, trucking, spraying, hay making, etc.

Column 20 -- Patronage Dividend (Refunds) -- Refunds from cooperatives and other patronage dividends are entered in column 10.

Column 21 -- Government Payments -- Column 21 is to be used for government payments. Government support program payments and other similar types of income should be entered here.

Column 22 -- Gas Tax Refund -- Enter state and federal gasoline and fuel rebate in column 22.

Columns 23-25 are open columns for miscellaneous type of incomes.

Suggestions for Teaching the Lesson

I. Developing the lesson

A. Things to be done by teacher

1. Work through a sample entry in the record book, see page 32 of Sample Book found in Appendix B.

On December 5 Mr. Jones sold 1,000 pounds of tobacco and received $1,350.00. He records the following:

Column 1. Date -- "12/5"

Column 2. Quantity -- "1,000 lbs."

Column 3. Description -- "tobacco"

Column 4. Total Amount -- "$1,350.00 (3.7% of the gross was deducted as farm business expense for marketing, his total check was $1,400, see page 3)"

Column 13. Tobacco -- "$1,350.00"

2. Have class members fill out data for sample problem.

II. Suggested teaching materials

A. References

1. Farm Records -- A Management Tool

2. Farmer's Tax Guide (For preparing 1980 returns)

3. Kentucky Farm Record Book

B. Audio-Visuals

1. Masters

-- Cash Sales of Farm-Produced Items and Other Farm Income
-- Cash Sales of Farm-Produced Items and Other Farm Income (Cont'd)

32

CASH SALES OF FARM-PRODUCED ITEMS AND OTHER FARM INCOME

Line	1 Date	2 Quantity	3 Description of Income	4 Total Amount Received	5 Sale of Livestock Raised (Do not enter breeding livestock raised and held for more than one year. Sale of these animals entered on page 43.) Cattle	6 Hogs	7	8	9 Sale of Livestock Products Milk	10 Eggs	11	12
1												
2												
3												
4												
5												
6												
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8												
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31	Carry totals to bottom of pages 44 and 45.											

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43

CASH SALES OF FARM-PRODUCED ITEMS AND OTHER FARM INCOME (Cont'd)

13	14	15	16	17	18	19	20	21	22	23	24	25	
SALE OF CROPS						OTHER FARM INCOME							
Tobacco	Corn	Wheat	Soybeans	Hay	Other	Custom Work	Patronage Dividends (Refunds)	Government Payments	Gas Tax Refund				Line
													1
													2
													3
													4
													5
													6
													7
													8
													9
													10
													11
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Problem 6

RECORDING RESALE ITEMS BOUGHT

Objective: To develop the effective ability of farmers and their spouse to record all livestock and other items bought for resale.

Problem and Analysis: How should we record livestock and other items bought for resale?

-- Date
-- Number
-- Description
-- Total cost
-- Cost recovered during year
-- Cost to be recovered in future years
-- Date sold

I. Recording resale items bought

This part of the record book, pages 26 & 27, are divided into four sections. Columns 1 through 7 are designated to cattle, columns 8 through 14 are designated to hogs, columns 15 through 28 are divided into two open sections.

Using one line for each item record the following:

1. Date animal was purchased
2. Number of animals purchased, quantity
3. Description of animal bought. Use identification numbers, color, names, etc.
4. Total cost of animal
5. Cost recovered during the year. Cost for items purchased for resale cannot be deducted until the livestock is sold. Therefore, two columns have been provided for this. Cost recovered during the year shall include the cost of all items purchased for resale and then sold later that year.
6. Cost to be recovered in future years shall include the remaining cost of the item until it is sold.

7. Date sold is provided to verify the sale of items. When all the appropriate date sold lines are filled, this section is closed and not until.

Example: In 1979 you buy 50 steers that you will sell in 1980. You deduct the purchase price in 1980 when the steers are sold. If inventories are used to determine income, the purchase price of steers should be included in the cost of livestock purchased in 1979 and the steers should be included in the closing inventory for 1979.

Suggestions for Teaching the Lesson

I. Developing the lesson

A. Things to be done by the teacher

1. Work through example entry:

Mr. Jones bought 3 black steers, numbers 21, 22, and 23, on November 15 for a total cost of $1,080.00. He entered the following:

Column 1. Date -- "11/15"

Column 2. Number -- "3"

Column 3. Description -- "black steers, #21, 22, 23"

Column 4. Total Cost -- "$1,080.00"

Column 5. Cost Recovered During Year --

Column 6. Cost to be Recovered in Future Years -- "$1,080.00"

Column 7. Date Sold --

2. Have class members fill out data for sample problem.

II. Suggested teaching materials

A. References

1. Farmer's Tax Guide (For use in preparing 1980 Returns)

2. Kentucky Farm Record Book

B. Audio-visuals

1. Masters

-- Livestock and Other Items Bought for Resale

LIVESTOCK AND OTHER ITEMS BOUGHT FOR RESALE

Line	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	CATTLE							HOGS						
	Date	Number	Description	Total Cost	Cost Recovered During Yr.	Cost To Be Recovered In Future Yrs.	Date Sold	Date	Number	Description	Total Cost	Cost Recovered During Yr.	Cost To Be Recovered In Future Yrs.	Date Sold
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
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28														
29														
30	Totals—Page 47; Line 13							Totals—Page 47; Line 14						

Problem 7

RECORDING RESALE ITEMS SOLD

Objective: To develop the effective ability of farmers and their spouse to record all livestock and other items sold which had been previously purchased for resale.

Problem and Analysis: How should we record the sale of livestock and other items bought for resale?

-- Date
-- Number
-- Description
-- Sale price
-- Date bought
-- Profit or loss

I. Record resale items sold

Pages 40 and 41 are divided into 4 sections. Columns 1 through 7 are provided for cattle, columns 8 through 14 are provided for hogs, columns 15 through 21 and columns 22 through 28 are open sections for other items bought for resale.

Using one line for each item record the following:

1. Date animal was sold (this date should also be recorded on pages 26 and 27)
2. Quantity of animals sold
3. Description of animals, such as I.D. number or names and colors
4. Price received for the animal
5. Date animal was purchased
6. Cost of the animal when purchased
7. Profit or loss you received from your transaction (sale price minus the cost when purchased equal profit or loss)

<u>Suggestions for Teaching the Lesson</u>

I. Develop the lesson

A. Things to be done by the teacher

1. Work through example entry:

Mr. Jones sold 14 steers in April, 1980. Two of those steers were purchased in November, 1979 for resale. Their average weight was 600 pounds per animal and the cost of the animals was $840.00. The animals were sold in April, 1980 for $1,246.00. Mr. Jones records the following:

Column 1. Date -- "4/2"

Column 2. Number -- "2"

Column 3. Description -- "steers, #11 & 12"

Column 4. Sale Price -- "1,246.00"

Column 5. Date Bought -- "11/2/79"

Column 6. Cost -- "$623.00"

Column 7. Profit -- "$406.00"

Examples of other items bought for resale may include grain bought for resale.

2. Have class members fill out data for sample problems.

II. Suggested teaching materials

A. References

1. Farmer's Tax Guide (For use in preparing 1980 Returns)

2. Kentucky Farm Record Book

B. Audio-visuals

1. Masters

-- Sale of Livestock and Other Items Bought for Resale

SALE OF LIVESTOCK AND OTHER ITEMS BOUGHT FOR RESALE

Line	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	CATTLE							HOGS						
	Date	No.	Description	Sale Price	Date Bought	Cost	Profit (or Loss)	Date	No.	Description	Sale Price	Date Bought	Cost	Profit (or Loss)
1														
2														
3														
4														
5														
6														
7														
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28														
29														
30	Totals—Page 47; Line 2							Totals—Page 47; Line 3						

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50

Problem 8

RECORD CAPITAL ITEMS BOUGHT

Objective: To develop the effective ability of farmers and their spouse to record all capital items bought.

Problem and Analysis: How should we record capital items purchased?

-- Date
-- Amount
-- Description
-- Cost

I. Record capital items bought

Pages 28 and 29 are provided for capital items. These two pages are divided into four sections. Columns 1-4 are designated to real estate, columns 5-8 refer to machinery and equipment, columns 9-12 are allowed for breeding livestock and columns 13-16 make up an open section. The capital investment recorded on these pages should correspond with a similar entry in the five-year depreciation schedule.

Using one line for each item record the following:

1. Date item was purchased
2. Amount of items purchased, quantity
3. Description of the item bought
4. Total cost of item purchased. NOTE: In case of partnerships, record only the percent of the item you own.

<u>Suggestions for Teaching the Lesson</u>

I. Developing the lesson

A. Things to be done by teacher:

1. Define Capital Asset -- For tax purposes a capital asset is all the property you own and use for personal purpose, pleasure, investment. These items are not business property and therefore

are not recorded in the Kentucky Farm Record Book. However, there may be a tax consequence when capital assets are sold. (See Farmer's Tax Guide.)

2. Define -- Capital Item used in a trade or business. These are capital type items used for production in a business. They are similar or identical to capital assets except they are used for business purposes rather than personal purposes. It is important to have special accounts for these items as they may be subject to depreciation and they may be treated as capital assets when sold at a gain -- that is their sale may result in capital gains. In this unit capital items are items not included in lessons 1 and 2.
3. List example of capital items and ordinary items and distinguish their difference.
4. Have the enrollees check their own personal record book to see if entries are correct.
5. Work through sample entry. See page 28 in Example Book. On July 29, Mr. Jones built a machinery shed costing a total of $1,200.00. He records the following:

   Column 1. Date - "7/29"

   Column 2. Amount -

   Column 3. Description - "Machinery shed"

   Column 4. Total Cost - "$1,200.00"

6. Have class members fill out data for sample problem.

II. Suggested teaching materials

A. References

1. Farmer's Tax Guide (For use in preparing 1980 Returns)
2. Kentucky Farm Record Book

B. Audio-visuals

1. Masters

-- Capital Items Bought
-- Capital Items Bought (Cont'd)

CAPITAL ITEMS BOUGHT

Line	1	2	3	4	5	6	7	8
	REAL ESTATE—LAND, BUILDINGS, FENCE, AND TILE				MACHINERY AND EQUIPMENT			
	Date	Amount	Description	Cost	Date	Amount	Description	Cost
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
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15								
16								
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22								77
23								
24								
25								
26								
27								
28								
29								
30	Totals—Page 47; Line 18				Totals—Page 47; Line 19			

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CAPITAL ITEMS BOUGHT (Cont'd)

9	10	11	12	13	14	15	16	Line
BREEDING LIVESTOCK				OTHER				
Date	Amount	Description	Cost	Date	Amount	Description	Cost	
								1
								2
								3
								4
								5
								6
								7
								8
								9
								10
								11
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								22
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								25
								26
								27
Totals—Page 47; Line 20				Totals—Page 47; Line 21				28
								29
								30

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Problem 9

RECORDING CAPITAL ITEMS SOLD

Objective: To develop the effective ability of farmers and their spouse to record all capital items sold.

Problem and Analysis: How should we record the sale of capital items?

- Date sold
- Description
- Sale price
- Date bought
- Cost or other basis
- Depreciation allowable
- Gain or loss

I. Record capital items sold

Pages 42 and 43 are allowed for the sale of capital items. It is subdivided in four sections: real estate, machinery and equipment, breeding livestock bought, breeding livestock raised.

Using one line for each item record the following:

1. Date item was sold
2. Brief description of the item
3. Price received for the item
4. Date when item purchased
5. Cost of the item when purchased

*6. Depreciation allowable on the item

*7. Gain or loss of the item after sale is complete

*Gains or loss from the sale of assets entered on a depreciation schedule may be treated as capital gains or losses. To compute this the farmer must understand two terms, basis and adjusted basis. Basis is merely the cost of the property when it was first acquired. Adjusted basis refers to an increase by improvements, a decrease by depreciation, or both. Usually depreciation is subtracted from the basis to determine the adjusted basis if depreciated property is involved. (See example from Farmer's Tax Guide.) Sale of non-depreciable capital items may also result in capital gains. (Example - dairy cow raised.)

Method of determining basis of property:	Example
Undepreciated value of trade-in	$1500
+ Cash boot paid	3500
= cost basis	5000
- additional 20% 1st yr. depreciation (of $3,500)	- 700 (20% of $3500)
- any salvage	- 250 ($750 - 10% of cost)
= Basis for regular depreciation (Straight line or sum of years digits methods)	$4050

Suggestions for Teaching the Lesson

I. Developing the lesson

A. Things to be done by the teacher:

1. Review the meaning of capital item and list examples.

2. Work through an entry of the sale of a capital item. Mr. Jones sold his disk harrow on July 6 for $500. He had purchased it in July, 1974, for $800. He figured a salvage value of $100 after 10 years, and computed depreciation on a S/L method. He records the following information:

Column 8. Date sold - "7/6"

Column 9. Description - "Disk harrow"

Column 10. Sale price - "$500.00"

Column 11. Date bought - "7/74"

Column 12. Cost - "$800.00"

Column 13. Depreciation allowable - "$420.00"

Column 14. Gain (or loss) - "$120.00"

The following entries were obtained from these formulas:

$$\frac{\text{\$800 original cost minus \$100 salvage value}}{\text{10 years of useful life}}$$

equals $70 depreciation/year times 6 years of use = $420 depreciation allowable. Then take $500 net sale price minus ($800

original cost minus $420 depreciation allowed). $500 minus $380 = $120 gain. The formula for determining gain or loss can be computed as follows:

Gains or losses = net sale price minus (original cost minus depreciation claimed)

3. See Farmer's Tax Guide to determine tax treatment of gain.
4. Have class members fill out data for sample problem.

II. Suggested teaching materials

A. References

1. Farmer's Tax Guide (For use in preparing 1980 Returns)
2. Kentucky Farm Record Book
3. Doane's Farm Management Guide

B. Audio-visuals

1. Masters

-- Sale of Capital Items
-- Sale of Capital Items (Cont'd)

SALE OF CAPITAL ITEMS

Line	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	REAL ESTATE—LAND, BUILDINGS, ETC.							MACHINERY AND EQUIPMENT						
	Date Sold	Description	Sale Price	Date Bought	Cost or Other Basis	Depreciation Allowable	Gain (or Loss)	Date Sold	Description	Sale Price	Date Bought	Cost or Other Basis	Depreciation Allowable	Gain (or Loss)
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SALE OF CAPITAL ITEMS (Cont'd)

15	16	17	18	19	20	21	22	23	24	25	26	
BREEDING LIVESTOCK BOUGHT							BREEDING LIVESTOCK RAISED					
Date Sold	Description	Sale Price	Date Bought	Cost or Other Basis	Depreciation Allowable	Gain (or Loss)	Date Sold	Description	Sale Price	Date of Birth	Gain	Line
												1
												2
												3
												4
												5
												6
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Totals—Page 47; Line 9							Totals—Page 47; Line 10					30

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Problem 10

RECORDING SOCIAL SECURITY DATA

Objective: To develop the effective ability of farmers and their spouse to record social security data for employees.

Problem and Analysis: How should we record social security records for hired workers?

-- Purpose for social security records
-- Procedure to follow

I. Purpose for social security records

You are required by law to withhold social security tax from cash wages paid to employees if you meet either of these two tests:

1. Have you paid the employee $150 or more in cash wages in the year; or
2. Has the employee performed agricultural labor for you on 20 or more days during the year for cash wages computed on a time basis?

(NOTE: These rules are not applicable to your spouse.) You are required to withhold 6.13% of your employees' cash wages who meet the above tests. If you determine you are subject to this tax and are not presently filing it, you should check with your local tax person or IRS office.

II. Procedure to follow

Pages 30 & 31 are designated to social security records. It is divided into six separate sections, one section per employee. Record the full name of the worker in the top of the section, below that record his social security number. Using one line for each item record the following:

1. Date of recording
2. Number of days worked each pay period
3. Total wages for each pay period
4. Social security deducted from total wages, .0613 times total wages
5. Amount paid to employee. Total wages minus social security tax.

Suggestion for Teaching the Lesson

I. Developing the lesson

A. Things to be done by the teacher

1. Review the reason for keeping record of social security for hired workers.
2. Work through sample entry. See page 30 in Example Book. On August 28 Mr. Jones paid Gary Collins $120 for 40 hours of labor. He recorded this in this manner. Full name and social security number at top of the section, date - "8/28," days worked in hours - "40 hrs.," total wages - "$120.00," social security tax deducted - .0613 x $120.00 = "$7.26," and amount paid - $120.00 minus $7.26 = "$112.74."
3. Have class members fill out data for sample problem.

II. Enrichment activities

A. Have tax person come to visit class and review who must file tax and the penalties for not withholding social security tax.

III. Suggested teaching materials

A. References

1. Farmer's Tax Guide (For use in preparing 1980 Returns)
2. Kentucky Farm Record Book
3. Doane's Tax Guide for Farmers

B. Audio-visuals

1. Masters

— Social Security Record for Hired Workers

SOCIAL SECURITY RECORD FOR HIRED WORKERS

Name of Worker _____

Social Security Number _____ ____ _____

Date	Days Worked	Total Wages	S.S. Tax Deducted	Amount Paid
30				
Totals				

Name of Worker _____

Social Security Number _____ ____ _____

Date	Days Worked	Total Wages	S.S. Tax Deducted	Amount Paid
Totals				

Name of Worker _____

Social Security Number _____ ____ _____

Date	Days Worked	Total Wages	S.S. Tax Deducted	Amount Paid
Totals				

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Problem 11

RECORDING NON-FARM INCOME AND EXPENSES

Objective: To develop the effective ability of farmers and their spouse to record all non-farm income and expenses affecting taxes.

Problem and Analysis: How should we record tax deductible non-farm expenses and contributions?

-- Reason for keeping non-farm records
-- Procedure to follow

I. Reason for keeping non-farm records

Expenditure for the home and living expenses of the farmer and his family are considered personal and non-farm expenses. Nevertheless, certain items of personal expense are tax deductible and will be needed for filing tax returns. Page 49 is provided for that reason.

II. Procedure to follow

Using one line for each item record the following:

1. Date purchase was made
2. Description of item
3. Amount paid for item
4. Columns 4-13 are broken down as follows:

Column 4 -- Non-Farm Interest -- Included in this column are interest payments on non-farm mortgages, such as a home or personal car.

Column 5 -- Non-Farm Taxes -- Column 5 is provided for non-farm taxes such as house, personal auto, etc.

Column 6 -- Church Contributions
Column 7 -- Charity Contributions } Self Explanatory

Column 8 -- Drugs & Medicine -- Personal use of drugs and medicine for helath purposes are included here.

Column 9 -- Doctors & Dentists -- Expenditure for doctors

Column 10 -- Hospital & Medical Insurance -- Column 10 enter expenditures for hospital and medical premiums.

Column 11 -- Hospital Expense -- Included in this column are hospital expenses not covered by insurance that you must pay.

NOTE: Non-farm income is also needed when filing tax returns. Page 48 is provided for recording items of non-farm income and non-tax deductible expenses.

Suggestion for teaching the lesson

I. Developing the lesson

A. Things to be done by teacher

1. Work through sample entry. See page 49. On October 2, Mr. Jones contributed $500 to his church. On November 29, he paid hospitalization insurance of $78.00. He records the following information:

Column 1 -- Date - "10/2", "11/29"

Column 2 -- Description - "contribution," "Hospitalization Insurance"

Column 3 -- Amount - "$500.00", "$78.00"

Column 6 -- Church Contribution - "$500.00"

Column 10 -- Hospital and Medical Insurance - "$78.00"

2. Have class members fill out data for sample problem.

II. Suggested teaching materials

A. References

1. Your Federal Income Tax (For [illegible] preparing 1980 Returns)

2. Kentucky Farm Record Book

B. Audio-visuals

1. Masters

-- Tax Deductible Nonfarm Expenses and Contributions
-- Nonfarm Income and Expenses; Record of Debt Payment and Receipts

TAX DEDUCTIBLE NONFARM EXPENSES AND CONTRIBUTIONS
(Reference Only)

1	2	3	4	5	6	7	8	9	10	11	12	13	
Date	Description	Amount	Non-Farm Interest	Non-Farm Taxes	Church Contributions	Charity Contributions	Drugs and Medicine	Doctors and Dentists	Hospital and Medical Insurance	Hospital Expenses			Line
													1
													2
													3
													4
													5
													6
													7
													8
													9
													10
													11
													12
													13
													14
													15
													16
													17
													18
													19
													20
													21
													22
													23
													24
													25
													26
													27
													28
													29
													30
Totals													31

NONFARM INCOME AND EXPENSES
(Reference Only)

RECORD OF DEBT PAYMENT AND RECEIPTS
(Reference Only)

	1	2	3	4	5	6	7	8	9	10
	Date	Non-Farm Item	Expense	Income	Date	Description of Loan	Int. Paid	Prin. Paid	Int. Rec'd	Prin. Rec'd
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										97
26										
27										
28										
29										
30										
31	96									
32										
33	Totals				Totals					

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Problem 12

RECORDING FARM BUSINESS SUMMARY

Objective: To develop the effective ability of farmers and their spouse to record farm business summaries.

Problem and Analysis: How should we summarize our annual records?

- Summary of annual deductible farm business expense
- Summary of annual cash sale of farm-produced items
- Annual farm business summary

I. Summary of annual deductible farm business expense

The individual expense columns (4-25) are totaled at the end of each page or month. The total expenditures (column 4) should equal the sum of columns 5-25. After totaling each page transfer the totals (line 31) to their corresponding columns on the Annual Deductible Farm Business Expense, pages 44 and 45. Now the columns can be totaled and cross checked to determine the yearly summary of cash expenditures.

II. Summary of annual cash sales of farm-produced items

The individual receipt columns (4-25) are totaled at the end of each page and the total amount entered on line 31. The total amount received (column 4) should equal the sum of columns 5-25. After balancing each page transfer the totals (line 31) to the corresponding columns on the Annual Summary of Cash Sales of Farm-Produced Items, pages 44 and 45. After the totals have been transferred to the summary pages, the figures can be totaled and cross-checked to determine the yearly summary of cash receipts.

III. Annual farm business summary

After the above two summaries have been completed, we can now use them to help determine the Yearly Farm Business Summary, found on page 47. Each line is self explanatory and tells where the information needed

can be obtained. After the amount columns have been completed, total the lines and enter the sums in lines 11 and 22. This will be the total cash receipt and the total cash expenses. These two figures will be used later in the Financial Summary.

Concluding Statement

The kind of job you do as a farmer greatly depends on the profit and loss column of your farm record book. Analysis of farm records is a tool which can be very helpful in determining exactly what kind of performance you have made, in addition to a guide for the performance you will make in the future. Planning centers around your past experiences and the ability you have to use them. Therefore, summarizing and evaluating is essential in a good record analysis.

Suggestions for Teaching the Lesson

I. Developing the lesson

A. Have class members fill out data for sample problem.

II. Suggested teaching materials

A. Reference

1. Kentucky Farm Record Book

B. Audio-visuals

1. Masters

-- Annual Summary of Deductible Farm Business Expenses; Annual Summary of Cash Sales of Farm-Produced Items
-- Annual Summary of Deductible Farm Business Expenses (Cont'd); Annual Summary of Cash Sales of Farm-Produced Items (Cont'd)
-- Farm Business Summary; Capital and Inventory Summary; Financial Summary
-- Family's Five-Year Net Worth Statement

ANNUAL SUMMARY OF DEDUCTIBLE FARM BUSINESS EXPENSES

Line	From Column →	4	5	6	7	8	9	10	11	12	13	14	15
	From Page Number	Total Amount Paid	Hired Labor	Repair and Maintenance	Interest	Feed Purchased	Seeds and Plants	Fertilizer and Lime	Machine Hire	Farm Supplies	Breeding Fees	Veterinary and Medicine	Gas, Fuel, and Oil
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13	Totals												

ANNUAL SUMMARY OF CASH SALES OF FARM-PRODUCED ITEMS

Line	From Column →	4	5	6	7	8	9	10	11	12	13	14	15
			SALE OF LIVESTOCK RAISED				SALE OF LIVESTOCK PRODUCTS				SALE OF CROPS		
	From Page Number	Total Amount Received	Cattle	Hogs			Milk	Eggs			Tobacco	Corn	Wheat
14													
15													
16													
17													
18	Totals												

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ANNUAL SUMMARY OF DEDUCTIBLE FARM BUSINESS EXPENSES (Cont'd)

16	17	18	19	20	21	22	23	24	25	Line
Storage and Warehousing	Taxes	Farm Insurance	Utilities-Farm Share	Rent	Trucking	Conservation Expenses	Farm Organization Dues			
										1
										2
										3
										4
										5
										6
										7
										8
										9
										10
										11
										12
										13

ANNUAL SUMMARY OF CASH SALES OF FARM-PRODUCED ITEMS (Cont'd)

16	17	18	19	20	21	22	23	24	25	Line
SALE OF CROPS			OTHER FARM INCOME							
Soybeans	Hay	Other	Custom Work	Patronage Dividends (Refunds)	Government Payments	Gas Tax Refund				
										14
										15
										16
										17
										18

FARM BUSINESS SUMMARY

	CASH FARM RECEIPTS	AMOUNT		CASH FARM EXPENSES	AMOUNT
1	Sale of Farm-Produced Items (page 44, col. 4, line 18)	$	12	Farm Business Expenses (page 44, col. 4, line 13)	$
2	Sale of Cattle Bought for Resale (page 40, col. 4, line 30)		13	Cattle Bought for Resale (page 26, col. 4, line 30)	
3	Sale of Hogs Bought for Resale (page 40, col. 11, line 30)		14	Hogs Bought for Resale (page 26, col. 11, line 30)	
4	Sale of _____ Bought for Resale (page 41, col. 18, line 30)		15	_____ Bought for Resale (page 27, col. 18, line 30)	
5	Sale of _____ Bought for Resale (page 41, col. 25, line 30)		16	_____ Bought for Resale (page 27, col. 25, line 30)	
6	Sale of Capital Items:		17	Capital Items Bought:	
7	Real Estate (page 42, col. 3, line 30)		18	Real Estate (page 28, col. 4, line 30)	
8	Mach. and Equip. (page 42, col. 10, line 30)		19	Mach. and Equip. (page 28, col. 8, line 30)	
9	Breeding Livestock Bought (page 43, col. 17, line 30)		20	Breeding Livestock (page 29, col. 12, line 30)	
10	Breeding Livestock Raised (page 43, col. 24, line 30)		21	Other (page 29, col. 16, line 30)	
11	Total Cash Receipts (Add lines 1-10)	$	22	Total Cash Expenses (Add lines 12-21)	$

CAPITAL AND INVENTORY SUMMARY

	CAPITAL ACCOUNT	VALUE BEGINNING	VALUE ENDING	CHANGE (+ OR —)
23	Land (Inventory)	$	$	$
24	Stored Crops, Feed, Supplies (Inventory)			
25	Livestock (Inventory)			
26	Farm Buildings, etc. (Depr. Sch.)			
27	Machinery and Equip. (Depr. Sch.)			
28	Total (Add lines 23-27)	$	$	$

FINANCIAL SUMMARY

		AMOUNT
29	Total Cash Receipts (line 11, above)	$
30	Total Cash Expenses (line 22, above)	
31	Net Cash Income (line 29 minus line 30)	$
32	Capital and Inventory Change (line 28, col. 3)	
33	Net Farm Income (line 31 + or — line 32)	$
34	Interest on Business Investment ($ @ 5%	
35	less interest paid—page 44, col. 7, line 13)	
36	Labor Income (line 33 minus line 35)	$
37	Value of Farm Products Consumed by Family	
38	Off-Farm Income (page 48)	
39	Total Family Earnings (line 36 plus lines 37 and 38)	$

FAMILY'S FIVE-YEAR NET WORTH STATEMENT

Line	ASSETS	19____ Value, Jan. 1	19____ Value, Dec. 31	19____ Value, Dec. 31	19____ Value, Dec. 31	19____ Value, Dec. 31	19____ Value, Dec. 31
1	Land	$	$	$	$	$	$
2	Operator's Residence						
3	Farm Buildings						
4	Machinery and Equipment						
5	Livestock						
6	Stored Crops, Feed and Supplies						
7							
8							
9	Life Ins. (Cash Value)						
10	Bank Accounts						
11	Cash						
12	Stocks & Bonds						
13	Notes Receivable						
14	Accounts Receivable						
15	Other Property						
16							
17	Total Assets	$	$	$	$	$	$
18	Total Liabilities	$	$	$	$	$	$
19	Net Worth (+ or —)	$	$	$	$	$	$

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Problem 13

MANAGING TAXES

Objective: To develop the effective ability of farmers and their spouse to manage taxes.

Problem and Analysis: What are the various strategies for managing taxes?

— Additional first year depreciation
— Investment credit
— Other various strategies
— Tax management tips

Taxpayers who prepare themselves for taking advantage of tax shelters and tax saving practices are steps ahead in the business of farm management. Most farm managers' objective is to minimize income tax while maximizing after tax income. Being aware of current opportunities and consequences of farm business decisions is a must in good tax management. Becoming a tax expert is not necessary, but knowing how to correctly manage your operation in consultation with an expert is necessary.

Some major tax planning ideas are presented here. Any or all of these ideas could save several tax dollars.

I. Additional First Year Depreciation

In addition to regular depreciation an additional 20% first year depreciation on new and used tangible personal property may be deducted by anyone except a trust in the first year that ordinary depreciation is allowable. The special first year allowance is useful in leveling one's income in years when it exceeds the expected normal. There are four provisions which must be met before an item qualifies:

1. It has a useful life of 6 years or more.

2. It is not acquired in transactions between certain related individuals, partnerships, partners, corporations or stockholders or certain beneficiaries, fiduciaries, or grantors of trusts.

3. It is applied to the total cost of such properties of not more than $20,000 for a joint return ($10,000 on a separate return). For corporation and partnerships, the maximum qualifying property is $10,000.

4. If property is acquired through a trade, only the difference paid is subject to this additional depreciation.

Even though property is not owned the full year, the maximum allowance for the additional first year depreciation may be taken. After taking the 20% additional depreciation, regular depreciation may be taken on the remaining cost from the date of purchase to the end of the year and thereafter, in the usual manner.

Below is a table showing a detailed comparison of the three depreciation methods plus the additional first year deduction based on the fact that a new tractor, having 10 years of useful life, was purchased on January 3 for $10,000. Salvage value was considered zero.

Year	Annual Depreciation		
	Straight Line (10%)	Declining Balance (20%)	Sum of the Years Digits
First Year Additional Dep.	$2000	$2000	$2000
First Year Ordinary Dep.	800	1600	1455
Total Dep. 1st Year	$2800	$3600	$3455
Second Year	$ 800	$1280	$1309
Third Year	$ 800	$1024	$1164
Fourth Year	$ 800	$ 819	$1018
Fifth Year	$ 800	$ 655	$ 873
Sixth Year	$ 800	$ 524	$ 727
Seventh Year	$ 800	$ 420	$ 582
Eighth Year	$ 800	$ 336	$ 436
Ninth Year	$ 800	$ 268	$ 291
Tenth Year	$ 800	$ 215	$ 145
TOTAL	$10,000	$9,141	$10,000
Unrecovered Cost		[1] 859	

[1] If the tractor is not retired at the end of the 10th year, depreciation may still be computed at 20% of the unrecovered cost. If salvage were a factor, depreciation must stop when the unrecovered cost equals salvage.

II. Investment Credit

The purchase of depreciable property, having a useful life of at least three years, either tangible personal property or other tangible property, and placed in service during the year purchased qualifies for investment credit. Investment credit is a most effective tax management tool because it reduces tax on a dollar-for-dollar basis. Property must have an expected useful life of 7 years or more to qualify for the 10% credit on the entire investment. If the useful life is 5 or 6 years, only two-thirds of the

investment qualifies for the credit. A useful life of 3 or 4 years results in only one-third of the investment. Most all tangible personal business properties qualify except buildings or structural components. This includes machinery, equipment, trucks, autos, fence, storage facilities, and breeding livestock (but not horses). Single purpose livestock and horticultural structures also qualify for the credit. Some building rehabilitation expenses qualify.

The credit is limited to the income tax liability you have shown on your return, or $25,000 plus 60% of the tax liability in excess of $25,000 whichever is less (in 1980 the 60% increases to 70%, 1981 to 80%, 1982 and after 90%). The credit does not affect the amount of depreciation you can claim.

It is important to remember that investment credit is available on an item the year it is purchased and placed on your farm for service, no matter what means of financing you make.

Many other limitation and qualification situations are discussed in detail in your Farmer's Tax Guide.

The following are examples of how investment credit can reduce tax liability:

In March Mr. Jones acquired 3 rolls of woven wire fence and constructed a line fence for the purpose of pasturing cattle. Mr. Jones' cost was $240 and he estimated the life of the fence at 20 years. Therefore, his credit is 100% x $240 = $240 x 10% = $24 investment credit.

On May 18 Mr. Jones purchased Betsy a breeding cow for $590.00. He estimates her life at 6 years. He figures his credit this way: 2/3 of $590 = $393 x 10% = $39.30 investment credit.

III. Other Major Strategies

A. Capital Gains Treatment

Gains on the sale of property, which has been held for a sufficient length of time, are subjected to a special tax break. A corporation also receives special treatment on the taxation of capital gains. The purpose of this treatment is that the tax rate on capital gains is much lower than with ordinary income. Thus, a tax savings will result anytime it is possible to report income as a capital gain. There are three provisions dealing with capital gains.

1. Previously individual taxpayers were taxed only on one half their long-term capital gains. However, beginning after October 31, 1978, capital gain exclusion for individuals increased from 50% to 60% (40% taxable). A capital gain exclusion is not available for a corporation. However, such gains are not subject to a tax rate of more than 28%, thus, an alternative tax calculation is available for capital gains when a corporation's taxable income exceeds $50,000.

2. To qualify for long-term capital gains, cattle and horses must be held 24 months; other livestock such as sheet and hogs must be held for over 12 months.

3. A one-time $100,000 exclusion is provided for sales of principal residence for taxpayers age 55 or over. The rollover provision of present law is allowed for any sale of a principal residence.

B. Other Strategies

Many other tax planning strategies are available for particular farming situations. These are too complex to discuss in detail in this unit. A further explanation of these strategies can be found in the publication, Income Tax Management for Farmer, which is enclosed in this unit's packet. However, a brief list of these procedures include:

- -- Reducing Income Fluctuation
- -- Deferring Taxes
- -- Correctly Managing Land Development Costs including soil and water conservation expenses and land clearing expenses
- -- Net Operating Losses
- -- Buying, Selling, or Trading of Real Property
- -- Sale of Dairy and Breeding Livestock to benefit from capital gain

(NOTE: This publication may not consider some 1978-79 changes in tax laws.)

IV. Tax Management Tips

Numerous tips involved in tax savings have been compiled and can be found in the publication, Income Tax Management for Farmers. Provided in this unit is a handout of these tax tips plus other helpful tips used in managing taxes from the book, Tax Desk Book for Farming and Ranching. We hope these tips will be beneficial to you.

Tax Management Tips

1. To spread income and reduce taxes, pay reasonable wages to your children for farm work actually done by them, so long as there is a true employer-employee relationship. Assign definite jobs or responsibilities, agree on wages and pay them regularly by check as you would any other employee. Wages paid by parents are not subject to social security tax until the child reaches age 21. Neither are they counted on the child's social security record.

2. A child, under 19 or regularly enrolled in school 5 months or more in the year or in an accredited on-farm training program, can earn over the personal exemption ($1,000 in 1979). The parent can also receive an exemption for the child as a dependent as long as he pays for over one-half of the child's support. This makes possible

two personal exemptions, one by the child if he earns over the exemption and files his own return, and the second as a dependent of his father. An individual's total tax-free earnings may be $3,300 in 1979 (the personal exemption of $1,000 and the standard deduction of $2,300).

3. An individual's wages are not subject to withholding of federal income tax if he or she certifies to his or her employer that he or she expects to have no federal income tax liability for the current year and had no income tax liability for the preceding year.

4. Give income producing property to children: that is, land, cattle, machinery, and let them report income from their work and capital. Family partnerships and farm corporations through stock transfers are sometimes used to do this. It is another way to spread family income over the lower brackets. Remember, gifts and partnerships must be legally sound to achieve tax savings.

5. If you are age 63 or 64, postpone income to age 65 to take advantage of the double personal exemption. Persons approaching retirement, however, may want to maintain income as near as possible to the maximum for social security in these years ($22,900 in 1979; $25,900 in 1980).

6. At retirement, plan for more income from rents, dividends, interest, and pensions which qualify for the retirement income credit. This may save income tax as earned income is replaced by investment income.

7. Do not hold breeding stock used for production of market livestock too long. By selling sows after only one or a few litters, a higher percentage of hog sales will qualify for capital gain treatment over a period of years and reduce taxes.

8. Buy machinery and equipment in years of high income and take the additional 20% first-year depreciation in addition to the regular depreciation allowable. Also the 10% investment credit on such purchases will reduce tax liability.

9. If you are selling timber, be sure to handle the sale so the gain can be reported as a capital gain. (See the Farmer's Tax Guide for details on different methods of selling timber.)

10. Manage sales of farm machinery, equipment, land and breeding and dairy stock. These can result in capital gains or ordinary losses. Cattle and horses must be held for 24 months or more. Other livestock, to qualify for capital gains treatment, and other depreciable items must be held more than 12 months.

11. Plan personal deductions. Many medical expenses or contributions that are normally spread over 2 years can be paid in one year and itemized as deductions. In the next year, the zero bracket amount

may be taken if higher than actual deductions. Be sure to choose the larger of the zero bracket amount or your actual itemized deductions.

12. Plan to have enough income to use up personal deductions and exemptions that are allowed (see Smith example on page 6).

13. Avoid wide fluctuations in income from one year to the next (see Jones example on page 6).

14. Understand the effect of rapid or accelerated depreciation that is permissable on newly acquired machinery, equipment and improvements. Decide whether to recover costs quickly or spread them out against farm production over a longer period.

15. Installment sales of property can be used to spread income over a period of years and thus avoid high income in one year.

16. Check for loss years in the past. Is there an unused net operating loss deduction (see page 14)? If you file for a refund, be sure to have records to substantiate your claim.

17. Be sure to take the ten percent investment credit available on qualified property, placed in service during the tax year.

18. Several alternative courses of action are available to defer payment of taxes. Land development costs can be used as current expenses up to certain limits, additional first year depreciation and accelerated methods of depreciation are other examples.

19. Filing a tax estimate by January 15 relieves the pressure on farm tax consultants and improves the completeness and accuracy of tax returns, generally saving the taxpayer taxes. In addition, it frees records for use with lenders to establish farm lines of credit early in the year.

20. Gifts of farm products to charity: a cash basis taxpayer can no longer take a fair market value deduction since the raised products have a zero cost basis. Therefore, there is nothing to deduct.

21. To insure a record of all income and expenses have a checking account in which to deposit all receipts and to pay all bills.

22. Amounts spent to provide employees with housing, board and supplies are fully deductible. In some communities for smaller operations it has become a common practice to approximate the cost of such provisions by estimating an average cost per day to feed each employee. This cost should include a portion of the personal furnishing and personal residence used for food preparation and serving meals. The taxpayer can then calculate the total number of days which meals were served multiplied by the average number of laborers which were served each day. The result is then included as board expense on the tax return. Cost of maintaining housing for employees or clothing and any other supplies are also fully deductible.

23. Labor costs for household help are deductible if they relate to farm operations (cook, etc.).

24. Credit for child care expenses equal to 20% of the amount paid, limited, to $400 for one child and $800 for two or more children, may be taken if child care permits both husband and wife to be employed. The credit is now permitted for payments made to any individual except a dependent of the taxpayer or his child under 19 years of age.

25. The following taxes and licenses are generally deductible in computing net income from the farming operation:

    -- Payroll taxes on employees wages (employer's share)
    -- Property taxes on farm real estate and the personal property used in the farming business
    -- License taxes and plate fees for licensed equipment used in the business, including a portion of the taxpayer's automobile or other vehicles to the extent used in the business
    -- Sales taxes attributable to the purchase of business supplies or business assets. (Normally, the tax paid on the purchase of supplies will simply be included in the cost of supplies but the taxpayer may show it as a separate expense for clarity.)
    -- Federal highway use taxes paid on business vehicles are deductible as business expense

Even though a farm manager may be aware of the tax saving strategies, he cannot effectively use them unless he and his tax consultant have a complete and accurate set of records for the entire farming operation. These records enable the taxpayer to determine approximate taxable income at anytime during the year. The Kentucky Farm Record Book is an excellent book for keeping adequate records for tax purposes.

V. Suggested Teaching Materials

A. References

1. Doane's Farm Management Guide
2. Doane's Tax Guide for Farmers
3. Farmer's Tax Guide (For use in preparing 1980 Returns)
4. Modern Agriculture Management
5. Tax Desk Book for Farming and Ranching: A Supplement Reflecting Tax Law Changes Made by the Tax Reform Act of 1976 and 1978
6. Tax Desk Book for Farming and Ranching
7. The Farmer: A Business Man
8. Income Tax Management for Farmers

9. Farm Management: Principles, Budgets, Plans

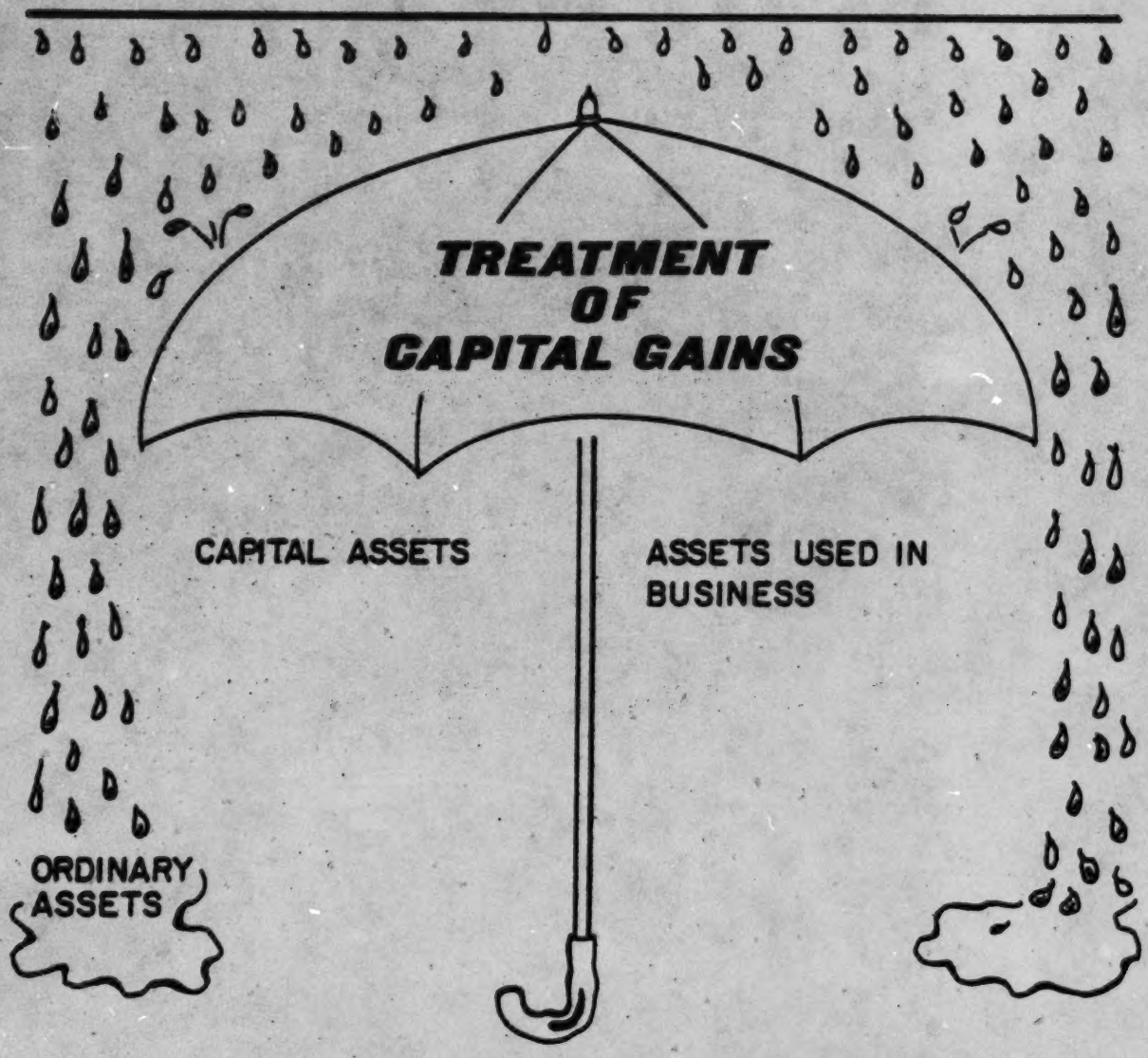
10. Farm Business Management

B. Audio-visuals

1. Masters

-- Capital Gains Treatment

TAXES



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APPENDIX A

UNIT REFERENCES

UNIT REFERENCES

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Publications and Pamphlets

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-- Kentucky Farm Record Book, 1977

-- Five-Year Farm Inventory and Depreciation Schedules for Use With Kentucky Farm Record Book, 1973

-- The Farmer: A Business Man, Fred Justus and Wilmer Browning, 1968

University of Minnesota, St. Paul, Minnesota

-- Farm and Ranch Management Education, Fourth Edition, Edgar A. Persons, Rodger E. Palmer, and Ralph L. Palan, 1977, 193 pp.

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— Income Tax Management for Farmers, R. N. Weigle, R. Edward Brown, Jr. and Robert S. Smith, 1977

Ohio Agricultural Education Curriculum Material Service, The Ohio State University, Columbus, Ohio.

— Farm Records — A Management Tool, AGDEX 818, Revised by Richard H. Baker, 1976, $3.50

Vocational Agriculture Service, University of Illinois at Urbana - Champaign, 434 Mumford Hall, Urbana, Illinois 61801.

— Record Keeping on the Farm, VAS 20086, 8 p., $ .24

— Using the Illinois Farm Record Book, VAS 2009b, 20 p., $ .60

— Setting Up Farm Records to Provide for Analysis, VAS 2037a, 12 p., $ .36

— Income Tax Illustration Based on 1976 Farm Record Problem, $ .55

— Standard of Measures of Efficiency for 1979, 6 p., $ .15

— A Farm Record Problem, 1976, $ .20

SUPPLEMENTARY RESOURCES

Books

Farm Management: Principles, Budgets, Plans. Fourth Edition, J. H. Herbst, Stipes Publishing Company, Champaign, Illinois, 1976.

Your Federal Income Tax, 1979 Edition, Publication 17, Department of the Treasury, Internal Revenue Service (Revised November, 1979).

Fundamentals of Tax Preparation/Coursebook, Publication 796, Department of the Treasury, Internal Revenue Service (Revised August, 1979).

Bulletins and Pamphlets

Cornell University, Department of Agricultural Economics, New York State College of Agriculture and Life Science, Ithaca, New York.

-- Cornell Farm Inventory and Depreciation Book, 1976, $ .50

-- Cornell Farm Account Book, 1979, $1.50

University of Minnesota, Regents of the University of Minnesota, Minneapolis, Minnesota.

-- Documentation for Farm Business Analysis, Fourth Edition, Edgar Persons, 1977

University of Missouri, Instructional Laboratory, Columbia, Missouri.

-- Farm Business Analysis, AG-7-YF-3, $8.00

-- Farm Business Analysis: Instructor's Handbook, Lehi German and Robert Denker, 136 p., $1.00

-- Sample Entries for the Missouri Young Farmer Record Book, AGDEX 818, AG-7-YF-6, Robert Denker, 12 p., $1.00

-- The Missouri Young Farmer Record Book: Transparencies, 22 masters and transparencies, $3.50

The Ohio State University, Ohio Agricultural Education Curriculum Materials Service, Columbus, Ohio.

-- A Farm Accounting Problem

-- Interpretation of Farm Business Analysis, set of 12 transparency masters, $1.00

-- Farm Business Planning and Analysis Program and Teaching Units, AGDEX 810, 1976, Series of 41 Teaching Units, $14.00

-- Farm Business Planning and Analysis Filing System, Homer Brown and Paul Freeman, 1975, 6 p. and Packet of Filing Labels, $1.50

-- Ohio Commercial Farm Account Book, Farm Management Specialist, Cooperative Extension Service, Room 234, 2120 Fyffe Road, The Ohio State University, Columbus, Ohio 43210

Vocational Agriculture Service, University of Illinois, 434 Mumford Hall, Urbana, Illinois 61801

-- Annual Financial Budget and Farm Income Statement (Profit and Loss), 4 p., $ .10

-- Annual Financial Planning Problem, Package of 10, $ .35

-- Costs of Performing Machine Work for Figuring Machine Rental or Machine Hire Rates, FM-36, R. B. Schwart, 1976

-- Balancing the Labor Supply and the Farm Business, VAS 2035a, 12 p., $ .36

-- Choosing Specific Crops to Grow and Estimating Production, VAS 2006b, 16 p., $ .48

-- Farm Management Manual, R. A. Hinton, Department of Agricultural Economics, University of Illinois, Urbana-Champaign, Illinois, 1979, 24 p., $ .65

-- Field Arrangement Principles, VAS 2004a, 8 p., $ .24

-- Fitting Machinery and Equipment to the Farm, VAS 2039a, 24 p., $ .72

-- Illinois Farm Record Book: Part I -- Receipts and Expenses, Inventories, Farm Business Analysis, $1.50 (for both parts)

-- Illinois Farm Record Book: Part II -- Depreciation Schedules and Net Worth: A Five Year Continuous Record

-- Income Possibilities on Your Farm: A Short-Cut Procedure for Comparing Alternate Crop and Livestock Systems, 4 p. form, $ .12

-- Illinois Farm Record Book (Practice Book), $ .60

-- Illinois Farm Record Book (Teacher's Key), $ .85

-- Income Possibilities for Your Farm, VAS 2043, 20 p., $ .60

-- Inventorying Resources for Farm Planning, VAS 2002b, 12 p., $ .36

— Problem Illustration for Planning Your Farm Business, A-GE, Package of 10, $ .35

— Key to Planning Your Farm Business, J. H. Herbst, $ .40

— Partial Budget Form, Set of 4, $ .10

— Partial Budgets and "Break-Even" Problems, A-GG, 8 p., $ .25

— Partial Budget Form: Key, 4 p., $ .12

— Planning a Profitable Farm Business, VAS 2001b, 4 p., $ .12

— Planning Livestock for the Farm, VAS 2012b, 12 p., $ .36

— Planning the Cropping System, VAS 2003b, 16 p., $ .48

— Planning to Have an Adequate Size of Business, VAS 2013a, 8 p., $ .24

— Planning Your Farm Business, J. H. Herbst, 36 p., $ .80

APPENDIX B

SAMPLE PROBLEM

A SAMPLE RECORDKEEPING PROBLEM (1979)

(For Use With the Kentucky Farm Record Book)

The sample recordkeeping problem describes a typical Kentucky farm for 1979 that is operated by the owner. The problems encountered should be descriptive of those encountered by young and adult farmers. The Kentucky Farm Record Book and the companion publication, Five Year Inventory and Depreciation Schedules, are used to record the problem.

Description of Home Farm

Tobacco (6,000 lbs.) -- 2 acre rotation	4 acres	
Beef (cow calf fed) -- 40 hd. -- pasture	75 acres	
Hay (90 ton) -- alfalfa	30 acres	
Corn (2,200 bu.)	20 acres	
Farmstead	6 acres	
	135 acres	Total land x $1,000/acre = $135,000.00

Beginning Inventory

Crops, Feed, & Supplies	Amount	Price/Unit	Value
Corn	1,500 bu.	@ $2.50/bu.	$3,750.00
Alfalfa Hay	40 ton	@ $45.00/ton	$1,800.00
Straw	3 ton	@ $27.00/ton	$ 81.00
Protein Supplement	1 ton	@ $180.00/ton	$ 180.00

Raised & Purchased Livestock	Quantity	Weight	Value
Replacement Heifers (1979)	5 head	3,500	$ 2,000.00
Market Animals	35 head	21,000	$14,000.00
Cows (Raised)	25 head	25,000	$ 8,750.00
Cows (Purchased)	15 head	15,000	$ 5,250.00

NOTE: 1. Sue bought in June, 1978 for $400 estimated life of 5 years, $150.00 salvage value.
2. Kay bought in February, 1975 for $300 estimated life of 5 years, $150.00 salvage value.

Machinery & Equipment	Date Acquired	Cost	Est. Life	Dep. Method	Sal.
1978 Pick-Up Truck	2/78	$4,300	10	SL	$300
Tobacco Transplanter	4/75	500	10	SL	0
Hay Rake	1/76	450	10	SL	0
Corn Planter	2/75	900	10	SL	90
Squeeze Gate	7/77	600	15	SL	0
Disk Harrow	7/74	800	10	SL	0
International Tractor	1/73	6,000	8	SL	1,056
Farm Building, Fences, and Other Improvements					
3 Rolls Woven Wire Fence	3/79	240	20	SL	0
1,500 Bushel Corn Crib	8/79	1,500	15	SL	0
Tobacco Barn 8 Bent	7/75	12,000	30	SL	0

Closing Inventory

Home Farm

133 acres x 1,000/acre = $133,000.00

Crops, Feed & Supplies	Amount	Price/Unit	Value
Corn	1,450 bu.	@ $2.50/bu.	$3,625.00
Alfalfa Hay	60 ton	@ $45.00/ton	2,700.00
Straw	1 ton	@ $27.00/ton	27.00
Protein Supplement	1 ton	@ $180.00/ton	180.00

Raised & Purchased Livestock	Quantity	Weight	Value
Replacement Heifers (1979)	5 head	4,700	3,750.00
Replacement Heifers (1980)	3 head	1,950	1,072.00
Market Animals	37 head	25,900	14,800.00
Cows (Raised)	23 head	23,000	8,050.00
Cows (Purchased)	13 head	13,000	4,550.00
Black Steers (#50, 51, 52)	3 head	21,000	1,200.00
Bull (#100)	1 head	1,150	800.00
Cow (Betsy)	1 head	1,050	700.00

Machinery & Equipment	Date Acquired	Cost	Est. Life	Dep. Method	Sal.
1978 Pick-Up Truck	2/78	$4,300	10	SL	$300
Tobacco Transplanter	4/75	500	10	SL	0
Hay Rake	1/76	450	10	SL	0
Corn Planter	2/75	900	10	SL	90
Squeeze Gate	7/77	600	15	SL	0
Lawn Seeder	3/80	23	2	SL	0
Ford Tractor	3/80	8,918	10	SL	0
Farm Building, Fences, and Other Improvements					
3 Rolls of Woven Wire Fence	3/79	240	20	SL	0
Corn Crib, 1,500 Bushel	8/79	1,500	15	SL	0
Tobacco Barn, 8 Bent	7/75	12,000	30	SL	0
Machinery Shed	7/80	1,200	20	SL	0

RECEIPTS AND EXPENSES

Receipts

January 15 -- sold 3,000 lbs. of tobacco for $4,180.00

Expenses

January 15	Repairs for loader	30.00
January 18	100 gallons of diesel fuel	75.00
January 20	1 gallon of tractor paint	3.09
January 27	Interest payment on farm	209.00
January 28	NFO dues	75.00

Receipts

February 5	Received refund for gas tax	19.10
February 15	Sold 2 tons of alfalfa hay	90.00

Expenses

February 5	2 tons of 5-10-15 fertilizer	275.00
February 10	Tractor tune-up	35.00
February 15	License plate for truck	12.50
February 18	Hydraulic Hose	27.50
February 25	2 Plant Bed Cottons	65.00
February 28	300 lbs. of Supplement	30.00

Receipts

March 7	Sold 200 bushels of corn	500.00
March 20	Sold 6 steers, 6,500 lbs.	3,600.00
March 27	Sold 2 ton of alfalfa hay	90.00

Expenses

March 1	Purchased Ford tractor, traded in International with an unrecovered cost of $618.00. Paid $8,300.00 difference. Estimated life of 10 years and salvage value of $891.80.	
March 5	2 packets of 21 x 10 tobacco seed	6.00
March 11	Truck insurance	40.00
March 13	Lawn seeder (used for seeding plant bed)	23.00

March 24	1/2 telephone bill	9.80
March 30	50 feet of garden hose	7.00
	Receipts	
April 2	Sold 14 steers, 15,300 lbs. NOTE: Two of the 14 steers were bought November 2, 1979 for resale. The cost of the animals was $840.00. Their selling price was $1,246.00. Their ID #'s were 11 & 12.	8,721.00
April 18	Equity Stock Dividend	7.90
	Expenses	
April 1	Welding Rods	7.00
April 6	Supplement (150 lbs.)	15.00
April 12	Vet	25.00
April 23	Marketing Cost on Steers	112.00
April 28	Insecticide, 1/2 lb. (orthene)	3.00
	Receipts	
May 12	Sold 15 black heifer, $650 per head	9,750.00
	Expenses	
May 9	Herbicide for corn	210.00
May 10	Seed corn (Pioneer 3369A), 320 lbs.	240.00
May 11	Fertilizer (20-10-10), 4,800 lbs.	740.00
May 11	Corn plate	2.00
May 18	Purchase (Betsy) 6 year useful life	590.00
May 25	Weed killer for tobacco (Tillam)	32.00
	Receipts	
June		0.00

Expenses

June 2	Cultivator shovels (5)	20.50
June 7	Twine (2 bales)	28.00
June 10	Interest payment	209.00
June 15	Bull, $100, 910 lbs. 4 year life	800.00
June 25	Fuel and oil	240.00

Receipts

July 6	Sold disk harrow	500.00

Expenses

July 3	Liquid minerals	45.00
July 12	Fly spray	7.00
July 17	Tractor tire repair	18.00
July 19	1 box of mowing machine sections	8.00
July 29	Constructed machinery shed, 20 year life	1,200.00

Receipts

August 7	Sold 2 acre lot on road	5,000.00

Expenses

August 2	2 gal. of MH-30	20.00
August 15	Tobacco sticks (333)	40.00
August 28	Labor (Gary Collins, 5 days)	120.00
August 28	Labor (Mike Smith, 5 days)	120.00
August 30	Wagon tire	34.00

Receipts

September		0.00

Expenses

September 8	Truck insurance	40.00
September 18	Cover crop seed	18.00
September 20	Lime -- 44 ton	330.00
September 27	Twine (2 bales)	28.00

Receipts

October 8	Received $50.00 for jury duty	
October 10	Sold 86 bushel of corn	193.50

Expenses

October 2	Church contribution	500.00
October 10	Farm Journal subscription (5 year)	15.00
October 15	Repair corn picker	73.00
October 22	Repair on storage bin	45.00
October 30	Labor (Gary Collins, 7 days)	171.00

Receipts

November 15	Culled 4 angus cows (2 purchased for $800, Kay & Sally, 2 raised, Sue & Cindy)	1,500.00
November 20	Tobacco sold — 2,000 lbs.	2,700.00

Expenses

November 5	Labor (Gary Collins, 6 days)	150.00
November 6	Coal, 1 ton	112.00
November 15	Bought 3 black steers, #'s 50, 51, 52	1,260.00
November 17	Terramycin feed additive	28.00
November 17	Supplement -- 1,500 lbs.	150.00
November 29	Hospitalization insurance	78.00

Receipts

December 5	Sold 1,000 lbs. of tobacco	1,350.00

Expenses

December 5	Marketing 1,000 lbs. of tobacco	50.00
December 11	Plumbing repair at barn	42.50
December 19	Fuel and oil	89.75
December 22	Overhauled tractor	440.00
December 30	Farm Bureau dues	25.00

FIVE-YEAR FARM INVENTORY and DEPRECIATION SCHEDULES

for use with

KENTUCKY FARM RECORD BOOK

FOR YEAR BEGINNING JANUARY 1, 1980

NAME JOHN E. JONES

ADDRESS ANYTOWN, KY.

UNIVERSITY OF KENTUCKY • COLLEGE OF AGRICULTURE • COOPERATIVE EXTENSION SERVICE
Agriculture • Home Economics • 4-H • Development
• DEPARTMENT OF AGRICULTURAL ECONOMICS

See Instructions on Page 16

INVENTORY OF LAND OWNED

Line	Description	19 80 Beginning Inventory Acres	Price	Value	19 80 Ending Inventory Acres	Price	Value	19 ____ Ending Inventory Acres	Price	Value
1	Land (Exclude Improvements)			$			$			$
2	HOME FARM	135	1,000/A	135000 00	133	1,000/A	133000 00			
3										
4										
5										
6	Totals—Pages 47; Line 23			135000 00			133000 00			
7										
8										
9	**INVENTORY OF STORED CROPS, FEED AND SUPPLIES**									
10	Description	Amount	Price	Value	Amount	Price	Value	Amount	Price	Value
11	Corn	1500 bu	2.50	$ 3750 00	1450 bu	2.50	$ 3625 00			$
12	Alfalfa Hay	40 Ton	45.00	1800 00	60 ton	45.00	2700 00			
13	Straw	3 ton	27.00	81 00	1 ton	27.00	27 00			
14	Protein Supplement	1 ton	180.00	180 00	1 ton	180.00	180 00			
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30	Totals—Page 47; Line 24			5811 00			6532 00			

66

INVENTORY OF LIVESTOCK

(Include all livestock—both purchased and raised)

Line	Description of Livestock	1980 Beginning Inventory No.	Weight	Value	1980 Ending Inventory No.	Weight	Value	19____ Ending Inventory No.	Weight	Value
1	Replacement Heifers (1979)	5	3500	$ 2,000 00	5	4700	$ 3750 00			$
2	MARKET ANIMALS	35	21000	14000 00	37	25900	14800 00			
3	COWS (RAISED)	25	25000	8750 00	23	23000	8050 00			
4	COWS (PURCHASED)	15	15000	5250 00	13	13000	4550 00			
5	Replacement Heifers (1980)				3	1950	1072 00			
6	BLACK STEERS - 50,51,52				3	21000	1200 00			
7	ANGUS BULL - #100				1	1150	800 00			
8	ANGUS COW - BETSY				1	1050	700 00			
9										
10										
11										
12										
13										
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18										
19										
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22										
23										
24										
25										
26										
27										
28										
29										
30	Totals—Page 47; Line 25			30000 00			34922 00			

134

135

100

FARM BUILDINGS, FENCES AND OTHER IMPROVEMENTS
FIVE-YEAR DEPRECIATION SCHEDULE

Line	Description of Asset	Date Acquired	Cost or Other Basis	Adjustment in Cost	Depreciable Balance	Est. Life	Depr. Meth.	1980 Remaining Cost, Jan. 1	1980 Depreciation for Year	1980 Remaining Cost, Dec. 31
1	WOVEN WIRE	3/79	$ 240 00	—	$ 240 00	20	S.L.	$ 231 00	$ 12 00	$ 219 00
2	CORN CRIB	8/79	1500 00	150 00	1350 00	15	S.L.	1320 00	90 00	1230 00
3	TOBACCO BARN	7/75	12000 00	—	12000 00	30	S.L.	10233 34	400 00	9833 34
4	SHED-MACHINERY	7/80	1200 00	—	1200 00	20	S.L.		25 00	1175 00
5										
6										
7										
8										
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10										
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17										
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23										
24										
25										
26										
27										
28										
29										
30	Totals—Page 47; Line 26							11784 34	527 00	12457 34

8

MACHINERY AND EQUIPMENT
FIVE-YEAR DEPRECIATION SCHEDULE

Line	Description of Asset	Date Acquired	Cost or Other Basis	Adjustment in Cost	Depreciable Balance	Est. Life	Depr. Meth.	1980 Remaining Cost, Jan. 1	1980 Depreciation for Year	1980 Remaining Cost, Dec. 31
1	PICK-UP TRUCK	2/78	$ 4300 00	300 00	$ 4000 00	10	S.L.	$ 3266 67	$ 400 00	$ 2866 67
2	TOBACCO TRANSPLANTER	4/75	500 00	—	500 00	10	S.L.	266 67	50 00	216 67
3	HAY RAKE	1/76	450 00	—	450 00	10	S.L.	270 00	45 00	225 00
4	CORN PLANTER	2/75	1000 00	90 00	910 00	10	S.L.	470 17	91 00	379 17
5	SQUEEZE GATE	7/77	600 00	—	600 00	15	S.L.	503 34	40 00	463 34
6	LAWN SEEDER	3/80	23 00	—	23 00	2	S.L.	—	8 62	14 38
7	FORD TRACTOR	3/80	8918 00	891 80	8026 20	10	S.L.	—	601 96	7424 24
8	DISK HARROW	7/74	800 00	—	800 00	10	S.L.	366 67	80 00	286 67
9	INTERNATIONAL TRACTOR	1/73	6000 00	1056 00	4944 00	8	S.L.	618 00	618 00	—
10										
11										
12										
13										
14										
15										
16										
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22										
23										
24										
25										
26										
27										
28										
29										
30	Cont'd on Page 10							5761 52	1934 58	11876 14

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PURCHASED BREEDING LIVESTOCK
(Income Tax Use Only)

FIVE-YEAR DEPRECIATION SCHEDULE

Line	Description of Asset	Date Acquired	Cost or Other Basis	Adjustment in Cost	Depreciable Balance	Est. Life	Depr. Meth.	1980 Remaining Cost, Jan. 1	1980 Depreciation for Year	1980 Remaining Cost, Dec. 31
1	KAY	2/75	$ 300 00	150 00	$ 150 00	5	S.L.	$ 5 00	$ 5 00	$ —
2	SALLY	6/78	400 00	150 00	250 00	5	S.L.	175 00	50 00	125 00
3	BETSY	5/80	590 00	150 00	440 00	5	S.L.		51 33	388 67
4	BULL #100	6/80	800 00	200 00	600 00	5	S.L.		60 00	540 00
5										
6										
7										
8										
9										
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25										
26										
27										
28										
29										
30	Totals							180 00	166 33	1053 67

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FAMILY'S FIVE-YEAR NET WORTH STATEMENT

Line	ASSETS	19____ Value, Jan. 1	19____ Value, Dec. 31	19____ Value, Dec. 31	19____ Value, Dec. 31	19____ Value, Dec. 31	19____ Value, Dec. 31
1	Land	$	$	$	$	$	$
2	Operator's Residence						
3	Farm Buildings						
4	Machinery and Equipment						
5	Livestock						
6	Stored Crops, Feed and Supplies						
7							
8							
9	Life Ins. (Cash Value)						
10	Bank Accounts						
11	Cash						
12	Stocks & Bonds						
13	Notes Receivable						
14	Accounts Receivable						
15	Other Property						
16							
17	Total Assets	$	$	$	$	$	$
18	Total Liabilities	$	$	$	$	$	$
19	Net Worth (+ or —)	$	$	$	$	$	$

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Kentucky

FARM RECORD BOOK

For year beginning JANUARY 1, 1980

Name JOHN E. JONES County _____

Address ANYTOWN, KY.

Husband's Soc. Sec. No. 222-00-0000 Wife's Soc. Sec. No. 221-00-1111

Employer Identification No. _____

UNIVERSITY OF KENTUCKY • COLLEGE OF AGRICULTURE • COOPERATIVE EXTENSION SERVICE • Agriculture • Home Economics • 4-H • Development • DEPARTMENT OF AGRICULTURAL ECONOMICS

DEDUCTIBLE FARM BUSINESS EXPENSES

Line	1 Date	2 Quantity	3 Description of Expense	4 Total Amount Paid	5 Hired Labor	6 Repair and Maintenance	7 Interest	8 Feed Purchased	9 Seeds and Plants	10 Fertilizer and Lime	11 Machine Hire	12 Farm Supplies
1	1/15		Repairs for LOADER	30 00		30 00						
2	1/19	100 gal	Diesel Fuel	75 00								
3	1/20	1 gal	Tractor Paint	3 09		3 09						
4	1/27		Interest - FARM LOAN	209 00			209 00					
5	1/28		NFO Dues									
6												
7	2/5	2 TON	5-10-15 Fertilizer	275 00						275 00		
8	2/10		Tractor Tune-Up	35 00		35 00						
9	2/15		Truck License Plate	12 50								
10	2/18	1	Hydraulic Hose	27 50		27 50						
11	2/25	2	100x12 Plant Bed Cottons	65 00								65 00
12	2/28	300 lbs	Supplement	30 00				30 00				
13												
14	3/5	2 pk	2 1X10 Tobacco Seed	6 00					6 00			
15	3/11		Truck Insurance	40 00								
16	3/24		Telephone (50% to Farm)	9 80								
17	3/30	50 ft	Garden Hose	7 00								7 00
18												
19	4/1		Welding Rods	7 00								7 00
20	4/6	150 lbs	Supplement	15 00				15 00				
21	4/12		Vet	25 00								
22	4/23	14	Marketing Costs	112 00								
23	4/28	1/2 lb.	Insecticide - Orthene	3 00								3 00 *
24												
25	5/9		Corn Herbicides	210 00								210 00 *
26	5/10		Seed corn (Pioneer 3369A)	240 00					240 00			
27	5/11	4800 lbs	Fertilizer	740 00						740 00		
28	5/11	1	Corn Plate	2 00								2 00
29	5/26		Tobacco Weed Killer (Tillam)	32 00								32 00
30												
31	Carry totals to top of pages 44 and 45.			2295 89		95 59	209 00	45 00	246 00	1015 00		326 00

146

145 * Chemicals could be entered in Column 10.

DEDUCTIBLE FARM BUSINESS EXPENSES (Cont'd)

13	14	15	16	17	18	19	20	21	22	23	24	25	Line
Breeding Fees	Veterinary and Medicine	Gas, Fuel, and Oil	Storage and Warehousing	Taxes	Farm Insurance	Utilities-Farm Share	Rent	Trucking	Conservation Expenses	Farm Organization Dues	MARKETING COMMISIONS		
		75 00											1
													2
													3
													4
										75 00			5
													6
													7
													8
				12 50									9
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													20
	25 00												21
											112 00		22
													23
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													26
													27
													28
													29
													30
	25 00	75 00		12 50	40 00	9 80				75 00	112 00		31

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DEDUCTIBLE FARM BUSINESS EXPENSES

Line	1 Date	2 Quantity	3 Description of Expense	4 Total Amount Paid	5 Hired Labor	6 Repair and Maintenance	7 Interest	8 Feed Purchased	9 Seeds and Plants	10 Fertilizer and Lime	11 Machine Hire	12 Farm Supplies
1	6/2	5	Cultivator Shovels	20 50		20 50						
2	6/7	2 bales	Twine	28 00								28 00
3	6/10		Interest	209 00			209 00					
4	6/25		Fuel and Oil	240 00								
5	~~~	~~~										
6	7/3		Liquid Minerals	45 00				45 00				
7	7/12		Fly Spray	7 00								7 00
8	7/17	1	Tractor Tire Repair	18 00		18 00						
9	7/19	1 box	Mower Sections	8 00								8 00
10	~~~	~~~										
11	8/2	2 gal	MH-30	20 00								20 00
12	8/15	333	Tobacco Sticks	40 00								40 00
13	8/28	40 hrs	LABOR - Gary Collins	120 00	120 00							
14	8/28	40 hrs	LABOR - Mike Smith	120 00	120 00							
15	8/30	1	Wagon Tire	34 00								34 00
16	~~~	~~~										
17	9/8		Truck Insurance	40 00								
18	9/18		Cover Crop Seed	18 00					18 00			
19	9/20	44 Ton	Lime	330 00						330 00		
20	9/27	2 bales	Twine	28 00								28 00
21	~~~	~~~										
22	10/10	5 yrs.	Subscription - Farm Journal	15 00								
23	10/15		Corn Picker Repair	73 00		73 00						
24	10/22		Storage Bin Repair	45 00		45 00						
25	10/30	57 hrs.	LABOR - Gary Collins	170 00	170 00							
26	~~~	~~~										
27												
28												
29												
30												
31	Carry totals to top of pages 44 and 45.			1628 50	410 00	156 50	209 00	45 00	18 00	330 00		165 00

DEDUCTIBLE FARM BUSINESS EXPENSES (Cont'd)

13 Breeding Fees	14 Veterinary and Medicine	15 Gas, Fuel, and Oil	16 Storage and Warehousing	17 Taxes	18 Farm Insurance	19 Utilities-Farm Share	20 Rent	21 Trucking	22 Conservation Expenses	23 Farm Organization Dues	24 MARKETING COMMISIONS	25 MISC.	Line
													1
													2
													3
		240 00											4
													5
													6
													7
													8
													9
													10
													11
													12
													13
													14
													15
													16
					40 00								17
													18
													19
													20
													21
												15 00	22
													23
													24
													25
													26
													27
													28
													29
													30
		240 00			40 00							15 00	31

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DEDUCTIBLE FARM BUSINESS EXPENSES

Line	1 Date	2 Quantity	3 Description of Expense	4 Total Amount Paid	5 Hired Labor	6 Repair and Maintenance	7 Interest	8 Feed Purchased	9 Seeds and Plants	10 Fertilizer and Lime	11 Machine Hire	12 Farm Supplies
1	11/5	50 hrs.	LABOR (GARY COLLINS)	150 00	150 00							
2	11/6	1 Ton	Coal	112 00								112 00
3	11/7		TERRAMYCIN	28 00				28 00				
4	11/17	1500 lbs.	Supplement	150 00				150 00				
5												
6	12/5	1000 lbs.	MARKETING - TOBACCO	50 00								
7	12/11		PLUMBING REPAIR - BARN	42 50		42 50						
8	12/19		Fuel and Oil	89 75								
9	12/22		TRACTOR OVERHAUL	440 00		440 00						
10	12/30	1 yr.	FARM BUREAU DUES	25 00								
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30												
31	Carry totals to top of pages 44 and 45.			1087 25	150 00	482 50		178 00				112 00

DEDUCTIBLE FARM BUSINESS EXPENSES (Cont'd)

13	14	15	16	17	18	19	20	21	22	23	24	25	Line
Breeding Fees	Veterinary and Medicine	Gas, Fuel, and Oil	Storage and Warehousing	Taxes	Farm Insurance	Utilities-Farm Share	Rent	Trucking	Conservation Expenses	Farm Organization Dues	MARKETING COMMISSIONS	MISC.	
													1
													2
													3
													4
													5
											50 00		6
													7
		89 75											8
													9
										25 00			10
													11
													12
													13
													14
													15
													16
													17
													18
													19
													20
													21
													22
													23
													24
													25
													26
													27
													28
													29
													30
										25 00	50 00		31

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LIVESTOCK AND OTHER ITEMS BOUGHT FOR RESALE

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	CATTLE							HOGS						
Line	Date	Number	Description	Total Cost	Cost Recovered During Yr.	Cost To Be Recovered In Future Yrs.	Date Sold	Date	Number	Description	Total Cost	Cost Recovered During Yr.	Cost To Be Recovered In Future Yrs.	Date Sold
1	11/15	3	Black Steers- 50,51,52	1080 00		1080 00								
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21														
22														
23														
24														
25														
26														
27														
28														
29														
30	Totals—Page 47; Line 13			1080 00				Totals—Page 47; Line 14						

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CAPITAL ITEMS BOUGHT

Line	1 Date	2 Amount	3 REAL ESTATE—LAND, BUILDINGS, FENCE, AND TILE Description	4 Cost	5 Date	6 Amount	7 MACHINERY AND EQUIPMENT Description	8 Cost
1	7/29		MACHINERY SHED	1200 00	3/1	1	LAWN SEEDER	23 00
2					3/13	1	FORD TRACTOR	8300 00
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30	Totals—Page 47; Line 18			1200 00	Totals—Page 47; Line 19			8323 00

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CAPITAL ITEMS BOUGHT (Cont'd)

9	10	11	12	13	14	15	16	
BREEDING LIVESTOCK				OTHER				
Date	Amount	Description	Cost	Date	Amount	Description	Cost	Line
5 18	940 lbs	Angus Cow - Betsy	590 00					1
6 15	910 lbs	Bull #100	800 00					2
								3
								4
								5
								6
								7
								8
								9
								10
								11
								12
								13
								14
								15
								16
								17
								18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
								29
Totals—Page 47; Line 20			1390 00	Totals—Page 47; Line 21				30

SOCIAL SECURITY RECORD FOR HIRED WORKERS

Name of Worker GARY COLLINS
Social Security Number 407 84 6041

Date	Days Worked	Total Wages	S.S. Tax Deducted *	Amount Paid
8/28	5	120 00	7 36	112 64
10/30	7	170 00	10 42	159 58
11/5	6	150 00	9 20	140 80
	*6.13% SS TAX RATE USED			
Totals	18	440 00	26 98	413 02

Name of Worker MIKE SMITH
Social Security Number 407 92 6531

Date	Days Worked	Total Wages	S.S. Tax Deducted	Amount Paid
8/28	5	120 00		120 00
Totals	5	120 00		120 00

Name of Worker _____
Social Security Number _____ ____ _____

Date	Days Worked	Total Wages	S.S. Tax Deducted	Amount Paid
Totals				

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CASH SALES OF FARM-PRODUCED ITEMS AND OTHER FARM INCOME

Line	1 Date	2 Quantity	3 Description of Income	4 Total Amount Received	5 Sale of Livestock Raised (Do not enter breeding livestock raised and held for more than one year. Sale of these animals entered on page 43.) Cattle	6 Hogs	7	8	9 Milk	10 Sale of Livestock Products Eggs	11	12
1	1/15	3000 lbs	Tobacco	4180 00								
2												
3	2/5		Gas Tax Refund	19 10								
4	2/15	2 Ton	Alfalfa Hay	90 00								
5												
6	3/7	200 bu	Corn	500 00								
7	3/20	6	Steers	3600 00	3600 00							
8	3/27	2 Ton	Alfalfa Hay	90 00								
9												
10	4/2	12	Steers	7475 00	7475 00							
11	4/18		Stock Dividend	7 30								
12												
13	5/12	15	Heifers @ $650	9750 00	9750 00							
14												
15	10/10	86 bu.	Corn	193 50								
16												
17	11/20	2000 lbs	Tobacco	2700 00								
18												
19	12/5	1000 lbs	Tobacco	1350 00								
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30												
31	Carry totals to bottom of pages 44 and 45.			29955 00	20825 00							

CASH SALES OF FARM-PRODUCED ITEMS AND OTHER FARM INCOME (Cont'd)

13	14	15	16	17	18	19	20	21	22	23	24	25	
SALE OF CROPS						OTHER FARM INCOME							
Tobacco	Corn	Wheat	Soybeans	Hay	Other	Custom Work	Patronage Dividends (Refunds)	Government Payments	Gas Tax Refund				Line
4180 00													1
									19 10				2
				90 00									3
													4
	500 00												5
													6
				90 00									7
													8
													9
							7 90						10
													11
													12
													13
	193 50												14
													15
2700 00													16
													17
1350 00													18
													19
													20
													21
													22
													23
													24
													25
													26
													27
													28
													29
													30
8230 00	693 50			180 00			7 90		19 10				31

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SALE OF LIVESTOCK AND OTHER ITEMS BOUGHT FOR RESALE

Line	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	CATTLE							HOGS						
	Date	No.	Description	Sale Price	Date Bought	Cost	Profit (or Loss)	Date	No.	Description	Sale Price	Date Bought	Cost	Profit (or Loss)
1	4/2	2	Steers 11,12	1246 00	2/2/71	840 00	406 00							
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21														
22														
23														
24														
25														
26														
27														
28														
29														
30	Totals—Page 47; Line 2			1246 00				Totals—Page 47; Line 3						

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SALE OF CAPITAL ITEMS

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	REAL ESTATE—LAND, BUILDINGS, ETC.							MACHINERY AND EQUIPMENT						
Line	Date Sold	Description	Sale Price	Date Bought	Cost or Other Basis	Depreciation Allowable	Gain (or Loss)	Date Sold	Description	Sale Price	Date Bought	Cost or Other Basis	Depreciation Allowable	Gain (or Loss)
1	8/7	TWO ACRES	5000 00	1972	1000 00		4000 00	7/6	DISK HARROW	500 00	7/74	800 00	353 36	+53 36
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21														
22														
23														
24														
25														
26														
27														
28														
29														
30	Totals—Page 47; Line 7		5000 00					Totals—Page 47; Line 8		500 00				

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SALE OF CAPITAL ITEMS (Cont'd)

15	16	17	18	19	20	21
BREEDING LIVESTOCK BOUGHT						
Date Sold	Description	Sale Price	Date Bought	Cost or Other Basis	Depreciation Allowable	Gain (or Loss)
11/15	Angus Cow - KAY	375 00	2 75	300 00	145 68	+ 220 68
11/15	Angus Cow - SALLY	375 00	6 78	400 00	120 00	+ 95 00
Totals—Page 47; Line 9		750 00				

22	23	24	25	26	
BREEDING LIVESTOCK RAISED					
Date Sold	Description	Sale Price	Date of Birth	Gain	Line
11/15	2 Angus Cows				1
	Sue - Cindy	750 00	1970	750 00	2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
					20
					21
					22
					23
					24
					25
					26
					27
					28
Totals—Page 47; Line 10		750 00			29
					30

ANNUAL SUMMARY OF DEDUCTIBLE FARM BUSINESS EXPENSES

Line	From Column →	4	5	6	7	8	9	10	11	12	13	14	15
	From Page Number	Total Amount Paid	Hired Labor	Repair and Maintenance	Interest	Feed Purchased	Seeds and Plants	Fertilizer and Lime	Machine Hire	Farm Supplies	Breeding Fees	Veterinary and Medicine	Gas, Fuel, and Oil
1	2	2285 89		95 59	209 00	45 00	246 00	1015 00		326 00		25 00	00
2	4	1628 50	410 00	156 50	209 00	45 00	18 00	330 00		165 00			240 00
3	6	1087 25	150 00	482 50		178 00				112 00			89 75
4													
5													
6													
7													
8													
9													
10													
11													
12													
13	Totals	5001 64	560 00	734 59	418 00	268 00	264 00	1345 00		603 00		25 00	404 75

ANNUAL SUMMARY OF CASH SALES OF FARM-PRODUCED ITEMS

Line	From Column →	4	5	6	7	8	9	10	11	12	13	14	15
	From Page Number	Total Amount Received	SALE OF LIVESTOCK RAISED				SALE OF LIVESTOCK PRODUCTS				SALE OF CROPS		
			Cattle	Hogs			Milk	Eggs			Tobacco	Corn	Wheat
14	32	29955 50	20825 00								8230 00	693 50	
15													
16													
17													
18	Totals	29955 50	20825 00								8230 00	693 50	

ANNUAL SUMMARY OF DEDUCTIBLE FARM BUSINESS EXPENSES (Cont'd)

16	17	18	19	20	21	22	23	24	25	Line
Storage and Warehousing	Taxes	Farm Insurance	Utilities-Farm Share	Rent	Trucking	Conservation Expenses	Farm Organization Dues	MARKETING COMMISIONS	MISC.	
	12 50	40 00	9 80				75 00	112 00		1
		40 00							15 00	2
							25 00	50 00		3
										4
										5
										6
										7
										8
										9
										10
										11
										12
	12 50	80 00	9 80				100 00	162 00	15 00	13

ANNUAL SUMMARY OF CASH SALES OF FARM-PRODUCED ITEMS (Cont'd)

16	17	18	19	20	21	22	23	24	25	Line
SALE OF CROPS			OTHER FARM INCOME							
Soybeans	Hay	Other	Custom Work	Patronage Dividends (Refunds)	Government Payments	Gas Tax Refund				
	180 00			7 90		19 10				14
										15
										16
										17
	180 00			7 90		19 10				18

FARM BUSINESS SUMMARY

	CASH FARM RECEIPTS	AMOUNT
1	Sale of Farm-Produced Items (page 44, col. 4, line 18)	$29955.50
2	Sale of Cattle Bought for Resale (page 40, col. 4, line 30)	1246.00
3	Sale of Hogs Bought for Resale (page 40, col. 11, line 30)	
4	Sale of _____ Bought for Resale (page 41, col. 18, line 30)	
5	Sale of _____ Bought for Resale (page 41, col. 25, line 30)	
6	Sale of Capital Items:	
7	Real Estate (page 42, col. 5, line 30)	5000.00
8	Mach. and Equip. (page 42, col. 10, line 30)	500.00
9	Breeding Livestock Bought (page 43, col. 17, line 30)	750.00
10	Breeding Livestock Raised (page 43, col. 24, line 30)	750.00
11	Total Cash Receipts (Add lines 1-10)	$38201.50

	CASH FARM EXPENSES	AMOUNT
12	Farm Business Expenses (page 44, col. 4, line 13)	$ 5001.64
13	Cattle Bought for Resale (page 26, col. 4, line 30)	1080.00
14	Hogs Bought for Resale (page 26, col. 11, line 30)	
15	_____ Bought for Resale (page 27, col. 18, line 30)	
16	_____ Bought for Resale (page 27, col. 25, line 30)	
17	Capital Items Bought:	
18	Real Estate (page 28, col. 4, line 30)	1200.00
19	Mach. and Equip. (page 28, col. 8, line 30)	8323.00
20	Breeding Livestock (page 29, col. 12, line 30)	1390.00
21	Other (page 29, col. 16, line 30)	
22	Total Cash Expenses (Add lines 12-21)	$ 16994.64

CAPITAL AND INVENTORY SUMMARY

	CAPITAL ACCOUNT	VALUE BEGINNING	VALUE ENDING	CHANGE (+ OR —)
23	Land (Inventory)	$135000.00	$133000.00	- 2000.00
24	Stored Crops, Feed, Supplies (Inventory)	5811.00	6532.00	+ 721.00
25	Livestock (Inventory)	30000.00	34922.00	+4922.00
26	Farm Buildings, etc. (Depr. Sch.)	11784.34	12457.34	+ 673.00
27	Machinery and Equip. (Depr. Sch.)	5761.52	11876.14	+ 6114.62
28	Total (Add lines 23-27)	$188356.86	$198787.48	$+10430.62

FINANCIAL SUMMARY

		AMOUNT
29	Total Cash Receipts (line 11, above)	$38201.50
30	Total Cash Expenses (line 22, above)	16994.64
31	Net Cash Income (line 29 minus line 30)	$21206.86
32	Capital and Inventory Change (line 28, col. 3)	+ 10430.62
33	Net Farm Income (line 31 + or — line 32)	$31637.48
34	Interest on Business Investment ($31637.48 @ X% 10% = 3163.74)	
35	less interest paid—page 44, col. 7, line 13) 418.00	2745.74
36	Labor Income (line 33 minus line 35)	$ 28891.74
37	Value of Farm Products Consumed by Family	—
38	Off-Farm Income (page 48)	50.00
39	Total Family Earnings (line 36 plus lines 37 and 38)	$28941.74

NONFARM INCOME AND EXPENSES
(Reference Only)

RECORD OF DEBT PAYMENT AND RECEIPTS
(Reference Only)

Line	1 Date	2 Non-Farm Item	3 Expense	4 Income	5 Date	6 Description of Loan	7 Int. Paid	8 Prin. Paid	9 Int. Rec'd	10 Prin. Rec'd
1	10/2	Church Contribution	500 00							
2	10/8	JURY DUTY		50 00						
3	11/29	HOUSE INSURANCE	78 00							
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										
33	Totals		578 00	50 00	Totals					

TAX DEDUCTIBLE NONFARM EXPENSES AND CONTRIBUTIONS
(Reference Only)

1	2	3	4	5	6	7	8	9	10	11	12	13	
Date	Description	Amount	Non-Farm Interest	Non-Farm Taxes	Church Contributions	Charity Contributions	Drugs and Medicine	Doctors and Dentists	Hospital and Medical Insurance	Hospital Expenses			Line
10/2	Contributions	500 00			500 00								1
11/29	Hospitalization	78 00								73 00			2
													3
													4
													5
													6
													7
													8
													9
													10
													11
													12
													13
													14
													15
													16
													17
													18
													19
													20
													21
													22
													23
													24
													25
													26
													27
													28
													29
													30
Totals		578 00			500 00					78 00			31

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APPENDIX C

GLOSSARY

APPENDIX C

GLOSSARY

Accounting Period -- The period in which your income is determined

Accrual Method -- Income is included for the year in which it is earned, regardless of when payment is received

Basis -- Original cost of an item plus improvements made minus depreciation you have taken

Capital Asset -- All the property owned and used for personal purpose, pleasure, or investment usually expected to last more than a year -- no depreciation is allowed on these items

Farm Capital Item -- Property owned and used for business purposes on a farm. Most items, other than land, are subject to depreciation over their useful life.

Cash Method -- Income is included in the year it is actually or constructively received, whether in the form of cash or property

Depreciation -- Reasonable allowance for wear, tear, and obsolescence of property used in business over a period of time

Intangible Item -- Personal property generally represented by papers, such as life insurance, bank accounts, stocks, and bonds

Inventory -- An itemized listing of all personal and real property on hand for business use

Ordinary Tax Deductible Item -- Consumable item which was bought for use in the business of farming and having a useful life of one year or less

Personal Property -- Usually refers to movable property. Personal property may be used in a business as for personal purposes.

Salvage Value -- Value of an asset at the end of its useful life to you. You may disregard salvage up to 10% of the basis on personal property (other than livestock) with useful life of 3 years or more. Salvage value must be established on livestock. With declining balance method salvage is not deducted, but cannot be depreciated below estimated salvage value.

Tangible Item -- Personal property you can see, feel and touch, such as livestock, machinery, etc.

APPENDIX D

ADULT INSTRUCTIONAL UNIT EVALUATION

Please complete and return to:
John W. Dickens
#46 Dickey Hall
University of Kentucky
Lexington, Kentucky 40506

ADULT INSTRUCTIONAL UNIT EVALUATION

A Questionnaire for Kentucky VoAg Teachers of Adults

PART I -- GENERAL INFORMATION

How many years of teaching experience do you have? _____

How many years have you taught adults in agriculture? _____

How long has it been since you have taken your last college classwork in agriculture? _____; in education _____; (undergraduate, graduate, or non-credit course)? _____

What is the highest degree you hold? _____

How many teachers are in your department? _____

What age level students do you teach? (✓ one)
a) _____high school only b) _____high school and adult c) _____adult only

How many other units from the University of Kentucky have you used in your teaching during the past few years? _____

PART II -- UNIT INFORMATION

NAME OF UNIT EVALUATED: _____

TYPE OF CLIENTELE TAUGHT: _____Adult Farmer _____Young Farmer
_____Other Adults (please specify)_____

Average number attending class _____

Was the interest level _____high? _____moderate? _____low?

How many lessons did you use?_____ How many class periods?_____

Indicate any lesson you added or deleted_____

_____

Directions: Place a check mark (✓) in the appropriate left hand column to rate the following components of the unit based on your own observations. A ranking of 5 represents an excellent rating decreasing to a rank of 1 for poor. For the open-ended questions please write on the back if additional space is needed.

Unit Design

5	4	3	2	1	
					General arrangement of parts
					Appropriateness of format for teaching adults
					Lengths of the unit
					Usefulness of suggestions for using the unit
					Number of lessons
					Order of lessons

Specific comments:_____

_____

Objectives in the Unit

5	4	3	2	1	
					Clearly stated
					Reasonable to reach in the allotted time
					Relevant to needs of the adult learner

Specific comments:_____

_____

PLEASE CONTINUE ON NEXT PAGE

Technical Content

5 4 3 2 1

Usefulness of introductory material
Sufficiently detailed for direct use in class
Related to objectives
Divided into appropriate problem areas
Up-to-date
Accuracy
Reasonably complete
Specific comments:_____

_____

Suggestions for Teaching the Lessons

5 4 3 2 1

Appropriate information for the teacher to bring out
Appropriate items to be secured from class members
Suitability of enrichment activities
Specific comments:_____

_____

Resources and Teaching Aids in the Unit

5 4 3 2 1

Up-to-date
Accessibility to the teacher
Relevance to the unit
Adaptability to the teaching plan
Specific comments:_____

_____

Sample Problem

5 4 3 2 1

Ease in using
Usefulness in teaching the lesson
Relevance to the unit
Reasonably complete
Reasonably realistic
Clearly stated
Need for more entries
Specific comments:_____

_____

With what parts of the unit do you feel you need additional help?

_____None of them
_____Objectives
_____Content
_____Course organization and planning
_____References
_____Resources and teaching materials
_____Teaching methods
_____Other (Specify)_____

PART III -- GENERAL REACTION

Please indicate any other strengths and weaknesses that you have observed in the unit and any suggestions for improvement, revision, and/or implementation (use the back of this sheet if needed).